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Form **990-PF**Department of the Treasury
Internal Revenue Service**Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation**

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

OMB No 1545-0052

2012

Open to Public Inspection

For calendar year 2012 or tax year beginning

10/1/2012

, and ending

9/30/2013

Name of foundation Kenneth L Kellar Foundation		A Employer identification number 91-1425050
Number and street (or P O box number if mail is not delivered to street address) P O Box 2750	Room/suite	B Telephone number (see instructions) (360) 332-5239
City or town, state, and ZIP code Blaine WA 98040		C If exemption application is pending, check here <input type="checkbox"/>
G Check all that apply. <input type="checkbox"/> Initial return <input type="checkbox"/> Initial return of a former public charity <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Address change <input type="checkbox"/> Name change		D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>
H Check type of organization: <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation		E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/>
I Fair market value of all assets at end of year (from Part II, col (c), line 16) \$ 2,005,314	J Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____	F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>

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 (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	9	9	9	
	4 Dividends and interest from securities				
	5 a Gross rents	242,064	242,064	242,064	
	b Net rental income or (loss)	-342			
	6 a Net gain or (loss) from sale of assets not on line 10	-21,752			
	b Gross sales price for all assets on line 6a	26,500			
	7 Capital gain net income (from Part IV, line 2)				
	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 or (loss) (attach schedule)					
11 Other income (attach schedule)					
12 Total. Add lines 1 through 11	220,321	242,073	242,073		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc				
	14 Other employee salaries and wages	21,537	21,537	21,537	1,077
	15 Pension plans, employee benefits				
	16 a Legal fees (attach schedule)				
	b Accounting fees (attach schedule)				
	c Other professional fees (attach schedule)				
	17 Interest	57,442	57,442	57,442	
	18 Taxes (attach schedule) (see instructions)	47,222	47,222	47,222	105
	19 Depreciation (attach schedule) and depletion	82,347	82,347	82,347	
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications	63	63	63	6
	23 Other expenses (attach schedule)	49,711	49,711	49,711	67
	24 Total operating and administrative expenses. Add lines 13 through 23	258,322	258,322	258,322	1,255
	25 Contributions, gifts, grants paid	4,000			4,000
26 Total expenses and disbursements. Add lines 24 and 25	262,322	258,322	258,322	5,255	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	-42,001				
b Net investment income (if negative, enter -0-)		0			
c Adjusted net income (if negative, enter -0-)			0		

For Paperwork Reduction Act Notice, see instructions.

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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	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing	21,955	45,533	45,533
	2 Savings and temporary cash investments	4,017		
	3 Accounts receivable ▶ 3,293			
	Less: allowance for doubtful accounts ▶	1,386	3,293	3,293
	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			
	10 a Investments—U S and state government obligations (attach schedule)			
	b Investments—corporate stock (attach schedule)			
	c Investments—corporate bonds (attach schedule)			
	11 Investments—land, buildings, and equipment basis ▶ 2,891,192			
Liabilities	Less: accumulated depreciation (attach schedule) ▶ 1,029,064	1,991,679	1,862,128	1,875,188
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule)			
	14 Land, buildings, and equipment, basis ▶ 235,275			
	Less: accumulated depreciation (attach schedule) ▶	235,275	235,275	81,300
	15 Other assets (describe ▶ rounding)		1	
	16 Total assets (to be completed by all filers—see the instructions. Also, see page 1, item I)	2,254,312	2,146,230	2,005,314
	17 Accounts payable and accrued expenses	35,495	33,270	
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)	1,245,720	1,194,929	
	22 Other liabilities (describe ▶ See Attached Statement)	151,053	137,988	
	23 Total liabilities (add lines 17 through 22)	1,432,268	1,366,187	
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31. ▶ <input type="checkbox"/>			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ <input checked="" type="checkbox"/>			
	27 Capital stock, trust principal, or current funds	822,044	780,043	
	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)	822,044	780,043	
	31 Total liabilities and net assets/fund balances (see instructions)	2,254,312	2,146,230	

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	822,044
2 Enter amount from Part I, line 27a	2	-42,001
3 Other increases not included in line 2 (itemize) ▶	3	
4 Add lines 1, 2, and 3	4	780,043
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	780,043

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			
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) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
(l) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	
a			
b			
c			
d			
e			

2 Capital gain net income or (net capital loss)	<div> <div>If gain, also enter in Part I, line 7</div> <div>If (loss), enter -0- in Part I, line 7</div> </div>	2	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

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))
2011	2,078	847,522	0.002452
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

2 Total of line 1, column (d)	2	0.262927
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	0.052585
4 Enter the net value of noncharitable-use assets for 2012 from Part X, line 5	4	
5 Multiply line 4 by line 3	5	
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	0
7 Add lines 5 and 6	7	0
8 Enter qualifying distributions from Part XII, line 4 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	8	0

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 2012 estimated tax payments and 2011 overpayment credited to 2012

b Exempt foreign organizations—tax withheld at source

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

d Backup withholding erroneously withheld

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

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

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

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

11 Enter the amount of line 10 to be: Credited to 2013 estimated tax

Refunded

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?

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

If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.

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?

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

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

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

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

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:

• 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

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

WA

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

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)? 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

Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11		
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		
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 ► 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 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
				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.

	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?	<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)?	1b	N/A
Organizations relying on a current notice regarding disaster assistance check here ► <input type="checkbox"/>		
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?	1c	
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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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?	<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)	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 2012?	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/AOrganizations 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? ☐ Yes ☒ No**6b**

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? ☐ Yes ☒ No**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
Kristine Moe 5459 Reese Hill Road Sumas, WA 98295	President 2 00	0		
Hugh Janzen 402 Minnesota AVE N Aitkin, MN 56431	Director 1 00	0		
Mark Packer 119 N Commercial Ave Bellingham, WA 98225	Director 1.00	0		
Fred Sjöholm 9115 Fortuna Drive ste 6412 Mercer Island, WA 98040	Director 1 00	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 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	0
b	Average of monthly cash balances	1b	30,821
c	Fair market value of all other assets (see instructions)	1c	1,956,488
d	Total (add lines 1a, b, and c)	1d	1,987,309
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	1,200,000
3	Subtract line 2 from line 1d	3	787,309
4	Cash deemed held for charitable activities. Enter 1 1/2 % of line 3 (for greater amount, see instructions)	4	11,810
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	775,499
6	Minimum investment return. Enter 5% of line 5	6	38,775

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	38,775
2a	Tax on investment income for 2012 from Part VI, line 5	2a	
b	Income tax for 2012. (This does not include the tax from Part VI)	2b	
c	Add lines 2a and 2b	2c	
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	38,775
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	38,775
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	38,775

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	5,255
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	5,255
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	
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	5,255

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				38,775
2 Undistributed income, if any, as of the end of 2012:				
a Enter amount for 2011 only			0	
b Total for prior years. 20____, 20____, 20____				
3 Excess distributions carryover, if any, to 2012:				
a From 2007	212,476			
b From 2008				
c From 2009				
d From 2010				
e From 2011				
f Total of lines 3a through e	212,476			
4 Qualifying distributions for 2012 from Part XII, line 4: ► \$ 5,255				
a Applied to 2011, but not more than line 2a				
b Applied to undistributed income of prior years (Election required—see instructions)				
c Treated as distributions out of corpus (Election required—see instructions)				
d Applied to 2012 distributable amount				5,255
e Remaining amount distributed out of corpus				
5 Excess distributions carryover applied to 2012 (If an amount appears in column (d), the same amount must be shown in column (a))	33,520			33,520
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	178,956			
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				
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)				
8 Excess distributions carryover from 2007 not applied on line 5 or line 7 (see instructions)	178,956			
9 Excess distributions carryover to 2013. Subtract lines 7 and 8 from line 6a				
10 Analysis of line 9:				
a Excess from 2008				
b Excess from 2009				
c Excess from 2010				
d Excess from 2011				
e Excess from 2012				

Part XV **Supplementary Information** (continued)**3 . Grants and Contributions Paid During the Year or Approved for Future Payment**

Recipient	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
Name and address (home or business)				
a <i>Paid during the year</i> University of Washington 141 NE Campus parkway Seattle, WA 98000	none		Education	4,000
Total			▶ 3a	4,000
b <i>Approved for future payment</i>				
Total			▶ 3b	0

Part I, Line 6 (990-PF) - Gain/Loss from Sale of Assets Other Than Inventory

		Amount		Totals									
		Long Term CG Distributions		Capital Gains/Losses									
		Short Term CG Distributions		Other sales									
Check "X" to include in Part IV	Description	CUSIP #	Purchaser	Check "X" if Purchaser is a Business	Date Acquired	Acquisition Method	Date Sold	Gross Sales Price	Cost or Other Basis	Valuation Method	Expense of Sale and Cost of Improvements	Depreciation	Net Gain or Loss
1	lot 5th Street		Thibets		7/1/2006	P	3/28/2013	4,500	4,500		450		-450
2	dockside building		Innovative Property Design LLC	X	7/1/1996		1/25/2013	22,000	73,555		317	30,570	-21,302

Part I, Line 11 (990-PF) - Other Income

		0	0	0
Description		Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income
1	rent subsidy, city of Atkin		0	
2	income tax refund		0	

Part I, Line 16a (990-PF) - Legal Fees

		0	0	0	0
Description		Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes (Cash Basis Only)
1	Jeff Haberkorn				
2	William Knudsen				
3	Barker Wilson Law Firm				

Part I, Line 18 (990-PF) - Taxes

		47,222	47,222	47,222	105
Description		Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
1	Real estate tax not included in line 20	47,117	47,117	47,117	
2	licenses	105	105	105	105

Part I, Line 19 (990-PF) - Depreciation and Depletion

										82,347	82,347	82,347	82,347
	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	30,570	0						
2	Aitkin house	7/1/2006	SL	27.5	61,758	13,942	2,246	2,246	2,246				
3	Mt Baker highway land	1/1/1990			76,500		0						
4													
5	Administrative office equipment	12/1/2001	SL	7	8,605	8,605	0						
6	Office furniture	6/1/2003	SL	7	5,718	5,718	0						
7	Commerce building	8/1/2002	SL	39	982,904	257,772	38,574	38,574	38,574				
8	Commerce building	8/1/2003	SL	39	273,273	63,939							
9	Commerce building	9/1/2004	SL	39	18,496	3,874							
10	Improvement	7/1/2006	SL	7	24,447	1,350							
11	Improvement	8/3/2012	SL	7	10,091	481							
12	Improvement	12/14/2011	SL	7	4,900	700							
13	Aitkin Townhouses	10/1/1998	SL	27.5	1,126,518	569,442	41,527	41,527	41,527				
14	Townhouse improvements	7/1/1999	SL	5	7,517	7,518							
15	Town houses equipment	4/1/2006	SL	7	3,940	3,659							

Part I, Line 23 (990-PF) - Other Expenses

		49,711	49,711	49,711	67
Description		Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
1	bank charges	350	350	350	4
2	Advertising	204	204	204	
3					
4	Dues	257	257	257	25
5	Meetings	10	10	10	10
6	Telephone	459	459	459	5
7	Internet	2,325	2,325	2,325	23
8	Insurance	13,540	13,540	13,540	
9	repairs & maintenance	10,490	10,490	10,490	
10	Lawn care & snow removal	11,293	11,293	11,293	
11	Utilities	10,416	10,416	10,416	
12					
13					
14		0			
15	contract expenses	367	367	367	

Part II, Line 11 (990-PF) - Investments - Land, Buildings, and Equipment

		2,891,192	1,029,064	1,991,679	1,862,128	1,875,188
		Cost or	Accumulated	Book Value	Book Value	FMV
		Other Basis	Depreciation	Beg. of Year	End of Year	End of Year
1	Asset Description					
1	Land Deming parcel	76,500		76,500	76,500	112,188
2	Aitkin Town houses land	56,900		56,900	56,900	
3	Aitkin Town houses	1,134,035	617,924	557,076	516,111	845,800
4	Commerce building land	194,125		194,125	194,125	
5	Commerce building	1,324,111	376,689	987,176	947,422	826,100
6	5th Street land	25,500		30,000	25,500	
7	5th Street house	61,758	16,188	47,816	45,570	91,100
8	furniture & Equipment	18,263	18,263	281	0	
9	to balance			41,805	0	

Part II, Line 14 (990-PF) - Land, Buildings, and Equipment

		235,275	0	0	235,275	235,275	235,275	81,300
Asset Description		Cost or Other Basis	Accumulated Depreciation Beg of Year	Accumulated Depreciation End of Year	Book Value Beg of Year	Book Value End of Year	FMV End of Year	
1	Altkin Land	235,275			235,275	235,275	81,300	

Part II, Line 15 (990-PF) - Other Assets

		0		1		0
		Book Value Beg of Year	Book Value End of Year	Book Value End of Year	FMV End of Year	
1	rounding			1		0

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

492,092															1,245,720		1,194,929		0	
Name of Lender		Title	Check "X" if Business	Original Amount	Balance Due Beg of Year	Balance Due End of Year	Security Provided	Date of Note	Maturity Date	Repayment Terms	Interest Rate	Purpose of Loan	Description	Far Market Value of Consideration	Relationship					
1	Security State Bank	unsecured		225,000	125,000	125,000	none				6.00%	purchase of land								
2	Security State Bank	910630			292,517	271,134	Aldon town houses			4692.62 per mo	5.00%	build townhouses	subsidized housing		none					
3	Greater Minnesota housing			267,092	267,092	267,092	Aldon Town houses			due 2018	%	build townhouses	subsidized housing		none					
4	Security State Bank	9289			561,111	531,703	commerce building			6895 per mo	5.00%	construct Commerce bldg	eye care center, bring to Aldon							

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

		151,053	137,988
Description		Beginning Balance	Ending Balance
1	Advances from related corporation	17,416	10,850
2	Advances Estate of Kenneth Kellar	133,637	127,138

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	Avg Hrs Per Week	Compensation	Benefits	Expense Account
1	Kristine Moe		5459 Reese Hill Road	Sumas	WA	98295		President	2.00	0		
2	Hugh Janzen		402 Minnesota AVE N	Aitkin	MN	55431		Director	1.00	0		
3	Mark Packer		119 N Commercial Ave	Bellingham	WA	98225		Director	1.00	0		
4	Fred Spjholm		9115 Fortuna Drive ste 6412	Mercer Island	WA	98040		Director	1.00	0		

Keneth L Kellar Foundation 9/30/13
Recap of rental income and expense

	Aitkin town Houses	Commerce Bldg	5th St	Mt Baker Hiway	Total
Sheet to attach to form 990 pf					
Recap of rental properties	Aitkin town Houses	Commerce Bldg	5th St	Mt Baker Hiway	Total
Rental income	140833.84	84474.14	2170	14586	242063.98
Rental expenses					
contract services		367.25			367.25
Advertising	204.16				204.16
bank charges	100	250.03			350.03
Office		63.13			63.13
salaries	9146.32	3140.76			12287.08
Dues	257				257
Telephone	807.16	798.09			1605.25
Programming		458.76			458.76
Interest	15674.21	37547.11			53221.32
Insurance	10655.95	1940.3	924.96		13521.21
Depreciation	41527	38574	2246		82347
Real estate tax	19205	22699.54	1553.64	2115.42	45573.6
Lawn care & snow removal	8767.61	2525			11292.61
Repairs	10863.3	-2684.57	2311.12		10489.85
Utilities	1944.89	8317.48	105.52		10367.89
Total expenses	119152.6	113996.88	7141.24	2115.42	242406.14
Net income (loss)	21681.24	-29522.74	-4971.24	12470.58	-342.16

Haberkorn Law Offices, Ltd.
122 Second Street N.W.
Aitkin, MN 56431

Kenneth L. Kellar Foundation
c/o Hugh J. Janzen
902 Minnesota Avenue South
Aitkin MN 56431

pd 1-27-14
Ch # 1106
\$281.34
Okale
January 15, 2014

In Reference To: Reinhart FoodService vs Kellar Foundation

Professional Services

12/2/2013 Telephone conference with and Review documents from Richard Plummer

12/3/2013 Drafting of Answer; Letter of correspondence to Richard Plummer and Evan Neifeld; Drafting and preparation of Affidavit of Service

	<u>Amount</u>
For professional services rendered	\$281.25
Additional Charges :	
Long distance charges	\$0.09
Total additional charges	<u>\$0.09</u>
Total amount of this bill	\$281.34
Previous balance	\$19.50
Accounts receivable transactions	
9/30/2004 Payment-Thank You!	<u>(\$19.50)</u>
Total payments and adjustments	<u>(\$19.50)</u>
Balance due	<u>\$281.34</u>