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

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2015

Open to Public Inspection

For calendar year 2015, or tax year beginning

, 2015, and ending

Merrymac McKinley Foundation, Inc.  
2311 Cedar Springs Rd. #350  
Dallas, TX 75201

INVOICE DATE NOV 2015

2015

REVENUE

ADMINISTRATIVE  
OPERATING  
AND EXPENSES

SCANNED DEC 02 2016

<b>A</b>	Employer identification number <b>74-2457886</b>
<b>B</b>	Telephone number (see instructions) <b>(214) 922-9033</b>
<b>C</b>	If exemption application is pending, check here ► <input type="checkbox"/>
<b>D</b>	1 Foreign organizations, check here ► <input type="checkbox"/> 2 Foreign organizations meeting the 85% test, check here and attach computation ► <input type="checkbox"/>
<b>E</b>	If private foundation status was terminated under section 507(b)(1)(A), check here ► <input type="checkbox"/>
<b>F</b>	If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ► <input type="checkbox"/>

- 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  
► \$ **2,796,758.** (Part I, column (d) must be on cash basis)

**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).)

		<b>(a) Revenue and expenses per books</b>	<b>(b) Net investment income</b>	<b>(c) Adjusted net income</b>	<b>(d) Disbursements for charitable purposes (cash basis only)</b>
	1 Contributions, gifts, grants, etc, received (attach schedule)	<b>1,659,082.</b>			
	2 Ck ► <input type="checkbox"/> if the foundation is not required to attach Sch B				
	3 Interest on savings and temporary cash investments	<b>26.</b>	<b>26.</b>	<b>N/A</b>	
	4 Dividends and interest from securities	<b>65,295.</b>	<b>65,295.</b>		
R E V E N U E	5 a Gross rents				
	b Net rental income or (loss)				
	6 a Net gain or (loss) from sale of assets not on line 10	<b>43,325.</b>			
	b Gross sales price for all assets on line 6a	<b>258,385.</b>			
	7 Capital gain net income (from Part IV, line 2)		<b>43,325.</b>		
	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)				
	See Statement 1	<b>-12,985.</b>	<b>2,261.</b>		
O P E R A T I N G A N D E X P E N S E S	12 Total. Add lines 1 through 11	<b>1,754,743.</b>	<b>110,907.</b>		
	13 Compensation of officers, directors, trustees, etc	<b>0.</b>			
	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	<b>2,000.</b>	<b>1,000.</b>	<b>1,000.</b>
	c Other prof fees (attach sch)	See St 3	<b>3,887.</b>	<b>3,887.</b>	
	17 Interest				
	18 Taxes (attach schedule) (see instructions)	See Stm 4	<b>684.</b>		
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)				
	See Statement 5	<b>4,394.</b>	<b>3,900.</b>		<b>447.</b>
	24 Total operating and administrative expenses. Add lines 13 through 23	<b>10,965.</b>	<b>8,787.</b>		<b>1,447.</b>
	25 Contributions, gifts, grants paid	<b>113,335.</b>			<b>113,335.</b>
	26 Total expenses and disbursements. Add lines 24 and 25	<b>124,300.</b>	<b>8,787.</b>		<b>114,782.</b>
	27 Subtract line 26 from line 12:				
	a Excess of revenue over expenses and disbursements				
	b Net investment income (if negative, enter -0-)	<b>1,630,443.</b>		<b>102,120.</b>	
	c Adjusted net income (if negative, enter -0-)				

630

23 NE

<b>Part II</b> <b>Balance Sheets</b>		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
<b>A S S E T S</b>	1	Cash – non-interest-bearing	8,933.	87,717.	87,717.
	2	Savings and temporary cash investments	39,864.	93,286.	93,286.
	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 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) <b>Statement 6</b>	619,486.	1,741,431.	2,345,870.
	c	Investments – corporate bonds (attach schedule) <b>Statement 7</b>		75,000.	71,175.
	11	Investments – land, buildings, and equipment basis			
		Less: accumulated depreciation (attach schedule)			
	12	Investments – mortgage loans			
	13	Investments – other (attach schedule) <b>Statement 8</b>	12,821.	314,113.	196,330.
	14	Land, buildings, and equipment: basis			
		Less: accumulated depreciation (attach schedule)			
	15	Other assets (describe ▶ See <b>Statement 9</b> )	2,380.	2,380.	2,380.
	16	<b>Total assets</b> (to be completed by all filers – see the instructions Also, see page 1, item I)	683,484.	2,313,927.	2,796,758.
<b>L I A B I L I T I E S</b>	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	<b>Total liabilities</b> (add lines 17 through 22)	0.	0.	
<b>N F E U T N D A S B E E L S N O R E S</b>	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			
	28	Paid-in or capital surplus, or land, bldg., and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds	683,484.	2,313,927.	
	30	<b>Total net assets or fund balances</b> (see instructions)	683,484.	2,313,927.	
	31	Total liabilities and net assets/fund balances (see instructions)	683,484.	2,313,927.	

**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	683,484.
2	Enter amount from Part I, line 27a	2	1,630,443.
3	Other increases not included in line 2 (itemize) ▶	3	
4	Add lines 1, 2, and 3	4	2,313,927.
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	2,313,927.

**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 (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1 a <u>publicly traded securities</u>		P	Various	Various
b <u>long-term capital gain dist.</u>		P	Various	Various
c <u>K-1 pass-through capital gains (losses)</u>		P	Various	12/31/15
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 211,390.		215,060.	-3,670.	
b 46,956.			46,956.	
c . 39.			39.	
d				
e				
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				
(i) F M V as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	(l) Gains (Col. (h)) gain minus col. (k), but not less than -0- or Losses (from col. (h))	
a			-3,670.	
b			46,956.	
c			39.	
d				
e				
2 Capital gain net income or (net capital loss). <span style="border: 1px solid black; padding: 2px;">If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7</span>			2	43,325.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6). <span style="border: 1px solid black; padding: 2px;">If gain, also enter in Part I, line 8, column (c) (see instructions) If (loss), enter -0- in Part I, line 8</span>			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))
2014	35,508.	1,628,917.	0.021799
2013	74,285.	1,570,872.	0.047289
2012	40,915.	1,414,840.	0.028918
2011	69,182.	1,357,055.	0.050980
2010	57,220.	1,138,918.	0.050241

- 2 Total of line 1, column (d) 2 0.199227
- 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 0.039845
- 4 Enter the net value of noncharitable-use assets for 2015 from Part X, line 5 4 2,203,554.
- 5 Multiply line 4 by line 3 5 87,801.
- 6 Enter 1% of net investment income (1% of Part I, line 27b) 6 1,021.
- 7 Add lines 5 and 6 7 88,822.
- 8 Enter qualifying distributions from Part XII, line 4 8 114,782.

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)	
1 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 2b	1,021.
1 c All other domestic foundations enter 2% of line 2b 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-)	0.
3 Add lines 1 and 2	1,021.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	0.
5 Tax based on investment income. Subtract line 4 from line 3 If zero or less, enter -0-	1,021.
6 Credits/Payments	
6 a 2015 estimated tax prnts and 2014 overpayment credited to 2015	6 a
6 b Exempt foreign organizations – tax withheld at source	6 b
6 c Tax paid with application for extension of time to file (Form 8868)	6 c
6 d Backup withholding erroneously withheld	6 d
7 Total credits and payments Add lines 6a through 6d	7 0.
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 1,021.
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10
11 Enter the amount of line 10 to be: Credited to 2016 estimated tax ► Refunded	11

**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?

	Yes	No
1 a	X	

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

1 b	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

1 c	X
-----	---

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

1 d	0.
-----	----

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.

1 e	0.
-----	----

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

2	X
---	---

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	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

4 a	X
-----	---

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

4 b	N/A
-----	-----

b If 'Yes,' has it filed a tax return on Form 990-T for this year?

5	X
---	---

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

If 'Yes,' attach the statement required by General Instruction T.

6	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	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

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

NY

8 b	X
-----	---

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	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 2015 or the taxable year beginning in 2015 (see instructions for Part XIV)? If 'Yes,' complete Part XIV

10	X
----	---

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

See Statement 10

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

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes,' attach schedule (see instructions)	11		X
12	Did the foundation 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	13	X	
14	The books are in care of ▶ <u>Mark McKinley</u> Telephone no ▶ <u>(214) 922-9033</u> Located at ▶ <u>2311 Cedar Springs Rd., Suite 350 Dallas TX ZIP + 4 ▶ 75201</u>			
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 2015, 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 FinCEN Form 114. If 'Yes,' enter the name of the foreign country ▶	16	Yes	No

**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.

1 a	During the year did the foundation (either directly or indirectly):	Yes	No
(1) Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(6) Agree to pay money or property to a government official? (Exception. Check 'No' if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
1 b	If any answer is 'Yes' to 1a(1)-(6), did <b>any</b> 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 ▶	N/A	
1 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 2015? ▶	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)).		
2 a	At the end of tax year 2015, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2015? If 'Yes,' list the years ▶ <u>20 12 , 20 11 , 20 08 , 20 07</u> <b>Statement 11</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
2 b	Are there any years listed in 2a for which the foundation is <b>not</b> 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 <b>all</b> years listed, answer 'No' and attach statement – see instructions) <b>See Statement 11</b>		
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		
3 b	If 'Yes,' did it have excess business holdings in 2015 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 2015) ▶	N/A	
4 a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? ▶	X	
4 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 2015? ▶	X	



**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		
<b>Total</b> 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)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2		Amount
<b>1</b>	N/A	
<b>2</b>		
All other program-related investments See instructions		
<b>3</b>		
<b>Total.</b> 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	2,067,840.
b Average of monthly cash balances	1b	166,891.
c Fair market value of all other assets (see instructions)	1c	2,380.
d <b>Total</b> (add lines 1a, b, and c)	1d	2,237,111.
e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2 Acquisition indebtedness applicable to line 1 assets	2	0.
3 Subtract line 2 from line 1d	3	2,237,111.
4 Cash deemed held for charitable activities Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	33,557.
5 <b>Net value of noncharitable-use assets.</b> Subtract line 4 from line 3 Enter here and on Part V, line 4	5	2,203,554.
6 <b>Minimum investment return.</b> Enter 5% of line 5	6	110,178.

**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	110,178.
2a Tax on investment income for 2015 from Part VI, line 5	2a	1,021.
b Income tax for 2015 (This does not include the tax from Part VI)	2b	
c Add lines 2a and 2b	2c	1,021.
3 Distributable amount before adjustments Subtract line 2c from line 1	3	109,157.
4 Recoveries of amounts treated as qualifying distributions	4	
5 Add lines 3 and 4	5	109,157.
6 Deduction from distributable amount (see instructions)	6	
7 <b>Distributable amount</b> as adjusted. Subtract line 6 from line 5 Enter here and on Part XIII, line 1	7	109,157.

**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	114,782.
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 <b>Qualifying distributions.</b> Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	114,782.
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	1,021.
6 <b>Adjusted qualifying distributions.</b> Subtract line 5 from line 4	6	113,761.

**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 2014	(c) 2014	(d) 2015
1 Distributable amount for 2015 from Part XI, line 7				109,157.
2 Undistributed income, if any, as of the end of 2015.			79,665.	
a Enter amount for 2014 only		171,045.		
b Total for prior years. 20 <u>13</u> , 20 <u>11</u> , 20 <u>10</u>				
3 Excess distributions carryover, if any, to 2015:				
a From 2010				
b From 2011				
c From 2012				
d From 2013				
e From 2014				
f Total of lines 3a through e	0.			
4 Qualifying distributions for 2015 from Part XII, line 4 ► \$ <u>114,782.</u>			79,665.	
a Applied to 2014, but not more than line 2a				
b Applied to undistributed income of prior years (Election required – see instructions)		35,117.		
c Treated as distributions out of corpus (Election required – see instructions)	0.			
d Applied to 2015 distributable amount			0.	
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2015 (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		135,928.		
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		135,928.		
e Undistributed income for 2014. Subtract line 4a from line 2a. Taxable amount – see instructions			0.	
f Undistributed income for 2015 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2016				109,157.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (Election may be required – see instructions)	0.			
8 Excess distributions carryover from 2010 not applied on line 5 or line 7 (see instructions)	0.			
9 Excess distributions carryover to 2016. Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9:				
a Excess from 2011				
b Excess from 2012				
c Excess from 2013				
d Excess from 2014				
e Excess from 2015				

BAA

Form 990-PF (2015)



**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
<i>a Paid during the year</i> See Statement 13				
<b>Total</b>				► 3a 113,335.
<i>b Approved for future payment</i>				
<b>Total</b>				► 3b

## Part XVI-A Analysis of Income-Producing Activities

**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	



**Schedule B**  
**(Form 990, 990-EZ,  
or 990-PF)**

Department of the Treasury  
Internal Revenue Service

OMB No 1545-0047

**Schedule of Contributors**

- **Attach to Form 990, Form 990-EZ, or Form 990-PF.**  
► Information about Schedule B (Form 990, 990-EZ, 990-PF) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

**2015**

Name of the organization

**Merrymac McKinley Foundation, Inc.**

Employer identification number

**74-2457886**

Organization type (check one).

Filers of:

Form 990 or 990-EZ

**Section:**

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

Form 990-PF

- 501(c)(3) exempt private foundation  
 4947(a)(1) nonexempt charitable trust treated as a private foundation  
 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

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

**General Rule**

- For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions

**Special Rules**

- For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33-1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II

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

- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ► \$ \_\_\_\_\_

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

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF.

Schedule B (Form 990, 990-EZ, or 990-PF) (2015)

Name of organization

Employer identification number

Merrymac McKinley Foundation, Inc.

74-2457886

**Part I** **Contributors** (see instructions) Use duplicate copies of Part I if additional space is needed

(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	Chevron Corporation 6001 Bollinger Canyon Road San Ramon, CA 94583	\$ 1,000,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/>
			(Complete Part II for noncash contributions.)
(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
2	Char. Rem. Trust FBO MM Foundation 2311 Cedar Springs Rd., #350 Dallas, TX 75201	\$ 205,280.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/>
			(Complete Part II for noncash contributions.)
(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
3	Char. Rem. Trust FBO MM Foundation 2311 Cedar Springs Rd., #350 Dallas, TX 75201	\$ 373,082.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/>
			(Complete Part II for noncash contributions.)
(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
4	Char. Rem. Trust FBO MM Foundation 2311 Cedar Springs Rd., #350 Dallas, TX 75201	\$ 80,720.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/>
			(Complete Part II for noncash contributions.)
(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
-	-	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/>
			(Complete Part II for noncash contributions.)
(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
-	-	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/>
			(Complete Part II for noncash contributions.)

---

**Name of organization**

**Employer identification number**

Merrymac McKinley Foundation, Inc.

74-2457886

**Part II Noncash Property** (see instructions) Use duplicate copies of Part II if additional space is needed

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
2	2000 shares Honeywell Intl	\$ 205,280	8/20/15

**BAA**

**Schedule B (Form 990, 990-EZ, or 990-PF) (2015)**

Name of organization

Merrymac McKinley Foundation, Inc.

Employer identification number

74-2457886

**Part III** Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once. See instructions) ► \$ N/A  
Use duplicate copies of Part III if additional space is needed

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

**Statement 1**  
**Form 990-PF, Part I, Line 11**  
**Other Income**

	(a) Revenue per Books	(b) Net Investment Income	(c) Adjusted Net Income
Dorchester Minerals K-1	\$ 2,901.	\$ 2,901.	
Enterprise Prod. Pts K-1	-5,290.	-640.	
Plains All American K-1	-10,596.		
Total	\$ -12,985.	\$ 2,261.	\$ 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
Tax return preparation services	\$ 2,000.	\$ 1,000.		\$ 1,000.
Total	\$ 2,000.	\$ 1,000.		\$ 1,000.

**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 management fees	\$ 3,887.	\$ 3,887.		
Total	\$ 3,887.	\$ 3,887.		\$ 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
Excise taxes paid, net	\$ 684.			
Total	\$ 684.	\$ 0.		\$ 0.

**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
Bank service charges	\$ 140.			\$ 140.
Filing fees	250.			250.
Miscellaneous	50.			50.
Partnership deductions from K-1's	3,947.	\$ 3,900.		
Postage	7.			7.
<b>Total</b>	<b>\$ 4,394.</b>	<b>\$ 3,900.</b>		<b>\$ 447.</b>

**Statement 6**  
**Form 990-PF, Part II, Line 10b**  
**Investments - Corporate Stocks**

Corporate Stocks	Valuation Method	Book Value	Fair Market Value
Chevron Texaco	Cost	\$ 141,751.	\$ 655,988.
JPMorgan Chase & Co	Cost	18,025.	33,015.
Exxon Mobil Corp	Cost	38,989.	49,888.
Phillip Morris Intl Inc.	Cost	12,189.	41,757.
Ishares Russell 1000 Growth Index	Cost	70,533.	77,296.
Ishares Russell 1000 Value Index	Cost	72,528.	71,242.
Ishares Russell Midcap Growth Index	Cost	17,087.	17,740.
Ishares Russell Midcap Value Index	Cost	17,555.	17,440.
Honeywell Intl Inc.	Cost	205,280.	207,140.
PIMCO Total Return	Cost	14,216.	13,861.
Blackrock Global Long Short	Cost	21,933.	20,209.
Diamond Hill Long	Cost	28,466.	27,504.
ASG Managed Futures Str Fd	Cost	9,494.	9,050.
Proshares Credit Suisse	Cost	20,335.	19,695.
Vanguard MSCI European ETF	Cost	12,279.	11,772.
Boston Partners Long/Short Res	Cost	27,444.	26,245.
Wisdom Tree Europe Hedged	Cost	109,832.	94,221.
Vanguard Wellington Fund	Cost	85,499.	111,252.
Vanguard 500 Index Fund	Cost	14,000.	26,477.
Vanguard US Growth Fd Investor	Cost	14,858.	27,198.
Vanguard Windsor II	Cost	611,342.	625,452.
AQR Managed Futures	Cost	22,522.	20,819.
Driehaus Emerging Mkts	Cost	14,715.	12,231.
Gotham Absolute Return	Cost	14,003.	13,125.
Wisdom Tree Tr Japan	Cost	78,960.	70,963.
Cohen & Streer Global Infrastructure	Cost	13,079.	10,766.
Guggenheim Floating Rate Strat. Fnd	Cost	12,322.	11,807.
Guggenheim Macro Opportunities	Cost	6,156.	5,841.
John Hancock Seaport Fd	Cost	16,039.	15,876.
<b>Total</b>	<b>\$ 1,741,431.</b>		<b>\$ 2,345,870.</b>

Merrymac McKinley Foundation, Inc.

74-2457886

**Statement 7**  
**Form 990-PF, Part II, Line 10c**  
**Investments - Corporate Bonds**

<u>Corporate Bonds</u>	Valuation Method	Book Value	Fair Market Value
Basket Stars Issuer 8.1% SV100	Cost	\$ 75,000.	\$ 71,175.
	Total	\$ 75,000.	\$ 71,175.

**Statement 8**  
**Form 990-PF, Part II, Line 13**  
**Investments - Other**

<u>Other Investments</u>	Valuation Method	Book Value	Fair Market Value
Dorchester Minerals, LP	Cost	\$ 32,566.	\$ 29,670.
Enterprise Products Partners, LP	Cost	\$ 61,522.	\$ 51,160.
Plains All American Pipeline, LP	Cost	\$ 220,025.	\$ 115,500.
	Total	\$ 314,113.	\$ 196,330.

**Statement 9**  
**Form 990-PF, Part II, Line 15**  
**Other Assets**

	Book Value	Fair Market Value
Art	\$ 2,380.	\$ 2,380.
Total	\$ 2,380.	\$ 2,380.

**Statement 10**  
**Form 990-PF, Part VII-A, Line 10**  
**Substantial Contributors During the Tax Year**

<u>Name of Substantial Contributor</u>	<u>Address of Substantial Contributor</u>
Chevron Corporation	6001 Bollinger Canyon Road San Ramon, CA 94583
Char. Rem Trust FBO MM Foundation	2311 Cedar Springs Rd., #350 Dallas, TX 75201

Merrymac McKinley Foundation, Inc.

74-2457886

**Statement 11****Form 990-PF, Part VII-B, Line 2b****Section 4942 (a) (2) - Incorrect Valuation of Assets**

See Attachment to Form 990-PF (2015), Part VII-B - Question 2(b).

**Statement 12****Form 990-PF, Part XV, Line 2a-d****Application Submission Information**

Name of Grant Program: Merrymac McKinley Foundation, Inc.  
 Name: Mark McKinley  
 Care Of:  
 Street Address: 2311 Cedar Springs Rd, Suite 350  
 City, State, Zip Code: Dallas, TX 75201  
 Telephone: (214) 922-9033  
 E-Mail Address: vsmith@mk-resources.com  
 Form and Content: None  
 Submission Deadlines: None  
 Restrictions on Awards: None

**Statement 13****Form 990-PF, Part XV, Line 3a****Recipient Paid During the Year**

Name and Address	Donee Relationship	Found- ation Status	Purpose of Grant	Amount
The University of Alabama 284 Rose Admin Bldg, Box 870122 Tuscaloosa AL 35487	N/A	PC	Educational support	\$ 30,000.
The George W. Bush Foundation P. O. Box 600610 Dallas TX 75201	N/A	PC	General operating support	20,000.
AMFAR, Foundation for Aids Research 120 Wall Street, 13th FL New York NY 10005	N/A	PC	General operating support	10,000.
Troy University 5000 Veterans Stadium Dr. Troy AL 36082	N/A	PC	Educational support	8,000.
Shelton State Community College 9500 Old Greensboro Rd. Tuscaloosa AL 35405	N/A	PC	Educational support	5,000.

**Statement 13 (continued)**  
**Form 990-PF, Part XV, Line 3a**  
**Recipient Paid During the Year**

<u>Name and Address</u>	<u>Donee Relationship</u>	<u>Found- ation Status</u>	<u>Purpose of Grant</u>	<u>Amount</u>
North Texas Food Bank 4500 S. Cockrell Hill Road Dallas TX 75236	N/A	PC	Support for the "Food 4 Kids" program	\$ 5,000.
University of San Diego 5998 Alcala Park San Diego CA 92110	N/A	PC	Towards USD development	5,000.
Ronald McDonald House 4707 Bengal Street Dallas TX 75201	N/A	PC	General operating support	4,000.
The Crytal Charity Ball 3838 Oak Lawn Ave., Suite L150 Dallas TX 75219	N/A	PC	General support	2,500.
The Aging Mind Foundation 3963 Maple Ave., Suite 390 Dallas TX 75219	N/A	PC	General operating support	2,000.
Clayton Dabney Fnd for Kids w/Cancer 6500 Greenville Ave., Suite 342 Dallas TX 75206	N/A	PC	General operating support	2,000.
Dallas Contemporary 161 Glass Street Dallas TX 75207	N/A	PC	General operating support	2,000.
Equest Therapeutic Riding Center P. O. Box 2109 Wylie TX 75098	N/A	PC	General operating support	2,000.
The Loyd Charitable Foundation 1333 N. Buffalo Drive, Suite 250 Las Vegas NV 89129	N/A	PC	General operating support	2,000.
The Family Place P. O. Box 7999 Dallas TX 75209	N/A	PC	General operating support	1,500.
Alzheimers Association 3001 Knox Street, Suite 200 Dallas TX 75205	N/A	PC	General operating support	1,000.

**Statement 13 (continued)**  
**Form 990-PF, Part XV, Line 3a**  
**Recipient Paid During the Year**

Name and Address	Donee Relationship	Found- ation Status	Purpose of Grant	Amount
Carry the Load P. O. Box 261904 Plano TX 75026	N/A	PC	General operating support	\$ 1,000.
Dallas Museum of Art 1717 N. Harwood Street Dallas TX 75201	N/A	PC	General operating support	1,000.
North Texas Food Bank 4500 S. Cockrell Hill Road Dallas TX 75236	N/A	PC	General operating support	1,000.
North Texas Junior Golf Foundation 8301 Harry Hines Blvd. Dallas TX 75235	N/A	PC	Support for "Birdies for Kids"	1,000.
Salvation Army-DFW Metroplex P. O. Box 36006 Dallas TX 75235	N/A	PC	General operating support	1,000.
SBL Hospice/Wyoming Dept of Health 497 W. Lott Street Buffalo NY 82834	N/A	PC	Memorial gift	1,000.
Stillman College 3601 Stillman Blvd. Tuscaloosa AL 35401	N/A	PC	General operating support	1,000.
Highland Park Presbyterian Church 3821 University Blvd. Dallas TX 75205	N/A	PC	General operating support	600.
Aberg Center for Literacy 2101 Ross Ave. Dallas TX 75201	N/A	PC	General operating support	500.
Dallas Pets Alive 11700 Preston Road, Suite 660, #263 Dallas TX 75230	N/A	PC	General operating support	500.
Dallas Foundation 3963 Maple Avenue, #390 Dallas TX 75219	N/A	PC	General operating support	500.

Merrymac McKinley Foundation, Inc.

74-2457886

**Statement 13 (continued)**  
**Form 990-PF, Part XV, Line 3a**  
**Recipient Paid During the Year**

Name and Address	Donee Relationship	Found- ation Status	Purpose of Grant	Amount
University of San Diego 5998 Alcala Park San Diego CA 92110	N/A	PC	Towards USD Greek Offices support of Strides for Survival	\$ 500.
Second Chance SPCA 1700 Avenue J Plano TX 75074	N/A	PC	General operating support	500.
Wee Burn Caddy Scholarship Fund 410 Hollow Tree Ridge Darien CT 06820	N/A	PC	Scholarship fund support	500.
Embody Love 4205 Hershel Avenue Plano TX 75026	N/A	PC	General operating support	250.
US Fund for UNICEF 11700 Preston Rd., Suite 660-307 Dallas TX 75230	N/A	PC	General operating support	250.
Dwell with Dignity Foundation 3112 Hood Street Dallas TX 75219	N/A	PC	General operating support	125.
Southern Methodist University P. O. Box 750402 Dallas TX 75275	N/A	PC	General operating support	75.
Texas Fraternal Order of Police Fnd P. O. Box 6330 Bryan TX 77805	N/A	PC	General operating support	35.

Total \$ 113,335.

2015

General Elections

Page 1

Merrymac McKinley Foundation, Inc.

74-2457886

**Section 4942(h)(2) Election As To The Treatment Of Qualifying Distributions**

Pursuant to IRC Section 4942(h)(2) and Regulation 53.4942(a)-3(d)(2), the foundation hereby elects to treat current year qualifying distributions in excess of the immediately preceding tax year's undistributed income as being made out of undistributed income from the tax year ending:

<u>Tax Year</u>	<u>Amount</u>
2004	22,884.
2005	12,233.

Signed:

  
\_\_\_\_\_  
Mark C. McKinley  
Pres/Treas

**ATTACHMENT TO FORM 990-PF (2015)**

**PART VII-B – QUESTION 2(b)**

**MERRYMAC MCKINLEY FOUNDATION, INC.**  
**EIN: 74-2457886**

This is a statement in connection with Part VII-B, Question 2(b), of the Form 990-PF for tax year 2015 for the Merrymac McKinley Foundation, Inc. (the “Foundation”). The Foundation is voluntarily disclosing and correcting errors made in prior years (1999 through 2014) related to the valuation of non-charitable use assets and the resulting understatements of undistributed income for those years. Certain other adjustments have been made to items of income and expenses as previously reported. Also, the Part V, Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income, previous five-year data has been adjusted for the correct adjusted qualifying distributions and net value of non-charitable use assets that would have been reported had the Form 990-PF for each of those years also been amended.

**Facts and Circumstances.** In 2016, the Foundation discovered that there had been an error in the calculation of the average fair value of certain non-charitable use assets of the Foundation since the year 1999. The error resulted in the understatement of the average fair value for the years 1999 through 2014, and that understatement resulted in a shortfall in each of those years in the qualifying distributions made by the Foundation. The Foundation had employed and relied on qualified outside accountants for the calculations and the preparation of the returns during all years affected. However, when the math error was discovered by Foundation personnel, the Foundation immediately sought legal advice from attorneys familiar with private foundation tax regulations and also engaged tax compliance services from a certified public accountant with significant experience preparing Forms 990-PF.

The Foundation has corrected the undistributed income by making distributions in excess of the cumulative total undistributed amount to qualified public charities in calendar year 2016 to cover all cumulative undistributed amounts from all years affected, including years that are closed by the statute of limitations (1999-2012). The Foundation is treating such distributions as being made out of the undistributed income for the taxable years for which a tax would have been imposed. Although the closed year returns are not being amended, the Foundation has determined the proper adjustments (as if it had drafted revised returns for 1999 through 2012) to the qualifying distributions and fair value calculations in order to calculate the cumulative undistributed amounts for those years, and those undistributed amounts have been included to calculate the total aggregate shortfall that carries over to 2014. The first tax year that, upon correction, had a taxable undistributed amount was 2002. All of the cumulative undistributed amounts through 2012 have been stated in Part XIII, Line 2b, of the Form 990-PF for 2015.

For ease of reference, below is a summary of the cumulative undistributed amounts:

<u>Year</u>	<u>Undistributed Amount</u>	<u>Cumulative</u>
2002	\$3,337	\$3,337
2003	\$5,135	\$8,472

2004	\$10,305	\$18,777
2005	\$30,250	\$49,027
2006	\$15,550	\$64,577
2007	\$13,937	\$78,514
2008	\$41,269	\$119,783
2009	\$8,797	\$128,580
2010	\$-6,638	\$121,942
2011	\$-13,856	\$108,086
2012	\$26,289	\$134,375
2013	\$-5,649	\$128,726
2014	\$42,319	\$171,045
2015	\$-35,117	\$135,928

In addition to the Form 990-PF for 2015, please refer to the Amended Form 990-PF for 2013 and the Amended Form 990-PF for 2014. The Foundation will also be filing a Form 4720, Return of Certain Excise Taxes, for 2013, 2014, and 2015, and a request for abatement under Section 4962 of the Internal Revenue Code of 1986, as amended (the "Code").

The remainder of this statement will show that the Foundation meets the reasonable cause exception under Code Section 4942(a)(2) and that no tax should be imposed with respect to the undistributed amounts.

Exception Under Code Section 4942(a)(2). Code Section 4942(a)(2) provides that no tax will be imposed on a foundation with respect to the undistributed amount if the following requirements are met:

- (1) The failure to distribute resulted solely from an incorrect valuation of assets;
- (2) the improper valuation was not willful and was due to reasonable cause;
- (3) the foundation makes the qualifying distributions of the amount during the "allowable distribution period" – this is the period beginning with the first day of the first tax year following the tax year in which the incorrect valuation occurred and ending 90 days after the mailing of a notice of deficiency with respect to the initial tax extended by (a) the period during which a deficiency cannot be assessed because a Tax Court petition was filed, and (b) any other period which the Internal Revenue Service ("the Service") determines is reasonable and necessary to permit a distribution;
- (4) the foundation notifies the Service that the amount has been distributed to correct the failure; and
- (5) the foundation elects to treat the distributions as made from the undistributed income of the particular tax year for which a tax would have been imposed were it not for this relief provision (i.e., the year in which it made the valuation error).<sup>1</sup>

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<sup>1</sup> I.R.C. § 4942(a)(2).

1. Failure to Distribute Resulted Solely From An Incorrect Valuation of Assets. First, the failure to distribute such amounts in the prior tax years resulted solely from an incorrect valuation of assets. As described above, the Foundation's outside accountants made a calculation error in the calculation of the average fair value of certain non-charitable use assets. The error resulted in the understatement of the average fair value for the years 1999 through 2014, and that understatement resulted in a shortfall in each of those years in the qualifying distributions made by the Foundation.

The Foundation's assets are held and managed by several different investment management firms. As such, an outside accountant created a spreadsheet in order to consolidate and track the investment assets of the Foundation as a whole. The spreadsheet reflected the average fair market value account balances by investment managers and type of security held on a monthly basis. The columns for the year were then totaled and divided by twelve months to compute the average annual account balances. The same spreadsheet format was used from 1999 through 2014.

However, there is one mutual fund investment manager that reports to the Foundation on a quarterly basis rather than on a monthly basis. It was in this account that the average annual fair market value account balance was miscalculated. The miscalculation was due to a formula error in the spreadsheet. When computing the average fair market of assets of this investment manager, the four quarterly values for this account were mistakenly divided by twelve rather than four (most likely caused by copying the formula in the adjacent cell of the spreadsheet). As a result, the fair market value balance for the account was understated by sixty-seven percent. The spreadsheet historically had also been reviewed annually by another qualified accountant who prepared the Foundation's tax returns.

2. Not Willful and Due to Reasonable Cause. Second, this incorrect valuation was not willful and was due to reasonable cause. The terms "willful" or "willful neglect" and "reasonable cause" are not defined in either Code Section 4942 or Code Section 4962 (relating to the request for the abatement of certain taxes, including the excise tax imposed on failure to distribute the required amount under Code Section 4942), but certain Treasury Regulations, case law, and other published guidance offer clarity regarding these terms.

In general, "willful" means "voluntary, conscious, and intentional,"<sup>2</sup> and no motive is necessary to make an act (or failure to act) to avoid the legal restrictions on a foundation or the occurrence of any tax willful.<sup>3</sup> Treasury Regulation Section 1.507-1(c)(5) further provides that a foundation's act (or failure to act) is not willful if the foundation (or foundation manager) does not know that it is an act (or failure to act) to which Chapter 42 of the Code applies. The United States Supreme Court has described "willful neglect" as meaning a "conscious, intentional failure or reckless indifference."<sup>4</sup> The Service has also noted that willful neglect implies a "voluntary, conscious, and intentional failure to exercise the care that a reasonable person would observe under the circumstances to see that the standards were observed, despite knowledge of

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<sup>2</sup>See Treas. Reg. § 53.4945-1(a)(2)(iv).

<sup>3</sup>Id., see also Treas. Reg. § 1.507-1(c)(5).

<sup>4</sup>See *United States v. Boyle*, 469 U.S. 241 (1985).

the standards or rules in question.”<sup>5</sup> If it is determined that a violation was caused by willful neglect, such a determination will prevent abatement of the first-tier tax under Code Section 4962, but the lack of willful neglect would not, in itself, justify abatement, as the taxpayer must also prove there was reasonable cause.<sup>6</sup>

In particular, Treasury Regulation Section 53.4942(a)-1(b)(2) indicates that a valuation mistake is not willful and is due to reasonable cause, if, under all the facts and circumstances, the foundation made all reasonable efforts in good faith to value the assets under the rules described in paragraph (c)(4) of Treasury Regulation Section 53.4942(a)-2.<sup>7</sup> A foundation ordinarily meets this standard if it obtained a bona fide appraisal by a qualified appraiser (regardless whether this person is a disqualified person with respect to the foundation), the foundation fully disclosed the relevant facts to the appraiser, and the foundation relied on the appraisal.<sup>8</sup> However, a foundation’s failure to obtain an appraisal is not evidence that a valuation error is without reasonable cause.<sup>9</sup>

Treasury Regulations under other Chapter 42 Code sections reflect that a reasonable cause standard is “ordinary business care and prudence.”<sup>10</sup> Certain cases have defined “reasonable cause” in a similar fashion in the context of other taxpayers.<sup>11</sup> In addition, if a taxpayer relies in good faith on the advice of counsel or a qualified tax professional, such reliance may establish reasonable cause and show an absence of willful neglect. When a taxpayer engages a competent tax professional, provides the professional with all necessary information, and requests the professional to make a determination on a tax matter or prepare tax returns, the taxpayer meets the reasonable cause standard, by doing “all that ordinary business care and prudence can reasonably demand.”<sup>12</sup> It is a generally accepted principle that the reliance on the advice of counsel or expert accountants, when it is sought and received in good faith, is reasonable cause in certain circumstances.<sup>13</sup>

As an example, in the *Haywood Lumber* case, the taxpayer, a personal holding company, consulted a certified public accountant (“CPA”) who was competent to advise on tax matters to prepare the proper corporate tax returns.<sup>14</sup> The taxpayer disclosed to the CPA all necessary information about the company.<sup>15</sup> The taxpayer was not aware that it was in fact a personal holding company, and although the CPA was aware of this fact, he did not prepare a personal holding company surtax return for the taxpayer.<sup>16</sup> The taxpayer filed only the returns prepared

<sup>5</sup> TAM 201423035. The Foundation acknowledges that it cannot rely on this technical advice memorandum as precedent, but it found the definition instructive for purposes of this statement.

<sup>6</sup> *Id*

<sup>7</sup> See Treas. Reg. § 53.4942(a)-1(b)(2).

<sup>8</sup> *Id*

<sup>9</sup> *Id*.

<sup>10</sup> See, e.g., Treas. Reg. §§ 53.4941(1)-1(b)(5); 53.4944-1(b)(2)(iii); 53.4945-1(a)(2)(v); 53.4955-1(b)(6); 53.4958-1(d)(6).

<sup>11</sup> See, e.g., *Haywood Lumber & Mining Co v Comm'r*, 178 F.2d 769 (2d Cir. 1950); *U.S. v Boyle*, 469 U.S. 241 (1985).

<sup>12</sup> *Haywood Lumber*.

<sup>13</sup> See *id*, see also *Hatfried, Inc v Comm'r*, 162 F.2d 628 (3d. Cir. 1947); *Orient Inv & Finance Co v Comm'r*, 166 F.2d 601 (D.C. Cir. 1948).

<sup>14</sup> See *Haywood Lumber*.

<sup>15</sup> See *id*

<sup>16</sup> See *id*.

by the CPA.<sup>17</sup> The Tax Court held that because the taxpayer had not specifically inquired of the CPA about the personal holding return, but rather “awaited passively,” he had not shown ordinary business care and prudence.<sup>18</sup> The Court of Appeals reversed the opinion of the Tax Court, holding that the taxpayer had in fact shown reasonable cause in failing to file the proper tax returns, when he relied on the advice of a CPA competent to advise on tax matters.<sup>19</sup>

In the *Boyle* case, the United States Supreme Court affirmed the precedent (including *Haywood Lumber*) which had established that relying on counsel or tax professionals for substantive questions of law does constitute “ordinary business care and prudence,” and thus, reasonable cause.<sup>20</sup>

In Technical Advice Memorandum 201423035,<sup>21</sup> the Trustee of a trust consulted a tax preparer that held himself out as an expert authorized to practice before the Service.<sup>22</sup> The tax preparer mischaracterized the trust as a complex, taxable trust, rather than a non-exempt charitable trust subject to the private foundation provisions of Chapter 42 of the Code.<sup>23</sup> Relying on this advice, the Trustee made donations to the charitable beneficiaries of the trust, treating them as charitable deductions of a taxable trust, instead of qualifying distributions of a private foundation.<sup>24</sup> The amounts donated did not equal what would have been required distributed amounts of the private foundation over the years in question.<sup>25</sup> After examining the trust’s tax returns, the Service issued a “no-change” letter, stating that no change to the tax returns were necessary.<sup>26</sup> Subsequently, the charitable beneficiaries sued the Trustee and the trust, and the Trustee engaged a new accountant and new tax counsel, who informed the Trustee that the trust was actually a non-exempt charitable trust subject to the private foundation provisions.<sup>27</sup> To correct its failure, the Trustee filed Forms 990-PF with the Service, paid the excise tax and penalty for underpayment of estimated tax, plus interest.<sup>28</sup> The Trustee also made qualifying distributions of all remaining undistributed income for the years in question.<sup>29</sup> The Trustee then requested that the excise tax be abated under Code Section 4962, because the failure to distribute was due to reasonable cause and not willful neglect.<sup>30</sup>

The Service granted the abatement request after finding that under-distribution was properly corrected and the under-distribution was due to reasonable cause and not willful neglect.<sup>31</sup> The memorandum states that reasonable cause means “ordinary business care and prudence,” and that “when the taxpayer has obtained advice from a competent tax professional on the specific matter

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<sup>17</sup> See *id*

<sup>18</sup> *Id*

<sup>19</sup> *Id*

<sup>20</sup> *Boyle*

<sup>21</sup> TAM 201423035. The Foundation acknowledges that it cannot rely on this technical advice memorandum as precedent, but it found the memorandum instructive for purposes of this statement.

<sup>22</sup> See *id*

<sup>23</sup> See *id*

<sup>24</sup> See *id*

<sup>25</sup> See *id*.

<sup>26</sup> See *id*

<sup>27</sup> See *id*

<sup>28</sup> See *id*

<sup>29</sup> See *id*

<sup>30</sup> *Id*

<sup>31</sup> See *id*

and the taxpayer has provided the advisor with all the necessary information, the taxpayer has exercised ordinary business care.”<sup>32</sup> In this case, the Service concluded that the Trustee showed ordinary business care and prudence by consulting the accountant and by following the instructions in the trust document in making the charitable donations, and the Trustee relied in good faith on the advice of the accountant.<sup>33</sup>

In the Foundation’s case, the Foundation’s failure to distribute the required amounts was due to reasonable cause and was not willful. There was no voluntary, conscious, and intentional decision on the part of the Foundation to fail to make the proper distributions; the Foundation sought to exercise the care that a reasonable person would observe. The Foundation exercised ordinary business care and prudence by engaging qualified outside tax accountants to prepare the Foundation’s tax returns, calculate the Foundation’s net asset value, and advise the Foundation on its required minimum distributions. After fully disclosing all of its assets and relevant information to the accountants, the Foundation relied on the accountants to calculate its net asset value and the minimum required distribution amount each year and to prepare its tax returns in accordance with applicable law. The Foundation relied on the accountants to use commonly accepted appraisal methods in valuing the Foundation’s assets, as described in Treasury Regulation Section 53.4942(a)-2(c)(4); however, error in the formula calculation in the spreadsheet (as described above) led to the incorrect valuation of assets. The Foundation believed in good faith that it was distributing the proper amounts for such tax years, since it did not discover the valuation error until 2016.

Like the taxpayers in the *Haywood Lumber* case and Technical Advice Memorandum 201423035, the Service should determine that there is no willful act or willful neglect on the part of the Foundation, and that the Foundation exercised ordinary business care and prudence to satisfy the standard for reasonable cause.

3. Qualifying Distributions Made During Allowable Distribution Period. Third, the Foundation has made qualifying distributions in excess of the cumulative total undistributed amount to qualified public charities in calendar year 2016, which is during the allowable distribution period, to cover all cumulative undistributed amounts from all years affected, including years that are closed by the statute of limitations (1999-2012). Although the failure to distribute relates back to the tax year 1999, the Foundation only discovered the valuation error in 2016, and the Foundation has not yet been notified of a deficiency by the Service with respect to the initial tax, so the Foundation has made the distributions during the allowable distribution period.

4. Notice to the Service Regarding Distributions Made. Fourth, by this statement, the Foundation hereby notifies the Service that the Foundation has made the qualifying distributions to qualified public charities in calendar year 2016 to cover all cumulative undistributed amounts from all years affected, including the closed years. Because there is no separate form to notify the Service of this matter, this statement included with the Foundation’s Form 990-PF for 2015 should properly suffice for this requirement.

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<sup>32</sup> *Id*

<sup>33</sup> *See id*

5. Election to Treat Distributions As Made from Undistributed Income of Relevant Tax Years. Finally, the Foundation has elected to treat the distributions as made from the undistributed income of the particular tax year for which a tax would have been imposed were it not for this relief provision (i.e., the year of the valuation error).

Under General Counsel Memorandum 39808, the Service concluded that it could make certain adjustments to years closed by the statute of limitations.<sup>34</sup> In the memorandum, a private foundation incorrectly computed its minimum investment return and understated its required distributable amount for 1982.<sup>35</sup> The private foundation's qualifying distributions for that year were greater than the required distributed amount (as incorrectly calculated), and thus, the private foundation took an excess distribution carryover which it applied in 1986.<sup>36</sup> After examining the 1986 return, the Service recognized that the error occurred in 1982, a year which was closed for purposes of the statute of limitations.<sup>37</sup> The Service determined that it could adjust the excess distribution carryover for a year not barred by the statute of limitations (1986) by recalculating the distributable amount of amount of qualifying distributions for closed years.<sup>38</sup> The Service cited several cases dealing with net operating loss carryovers to establish the general principle that, while it cannot recalculate the investment income and impose an excise tax for a closed year, it can recalculate the distributable amount and the amount of qualifying distributions for a closed year, and reapply (or disallow) any excess carryovers in an open year.<sup>39</sup>

In the Foundation's case, the valuation error applied to tax years 1999-2014. Although the Foundation is not filing amended tax returns for 1999-2012 (the closed years), the Foundation has determined the proper adjustments (as if it had drafted revised returns for 1999 through 2012) to qualifying distributions and fair value calculations in order to arrive at the cumulative undistributed amounts and to achieve the correct carryovers to 2013. The first tax year that, upon correction, had a taxable undistributed amount was 2002. All of the cumulative undistributed amounts prior to 2012 have been stated in Part XIII, Line 2b, of the Form 990-PF for 2015, and a summary was provided on pages 1 and 2 of this statement.

As a part of revising the calculations for the closed years, the Foundation determined that it had excess distributions available in two years. The Foundation determined to make the election to treat current year qualifying distributions in excess of the immediately preceding tax year's undistributed income as being made out of the undistributed income for prior years. The Foundation reviewed the oldest year first and made the following determinations. The elections made virtually on the amended returns were as follows (see following pages).

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<sup>34</sup> GCM 39808.

<sup>35</sup> See *id*

<sup>36</sup> *Id*

<sup>37</sup> *Id*

<sup>38</sup> *Id*

<sup>39</sup> *Id*

Tax year 2010 unamended return:

The excess available was: 6,638.00

It was applied as follows:

Tax Year

2001	3,337.00
2002	3,301.00
	<hr/>
	6,638.00
	<hr/>

Tax year 2011 unamended return:

The excess available was: 13,856.00

It was applied as follows:

Tax Year

2002	1,834.00
2003	10,305.00
2004	1,717.00
	<hr/>
	13,856.00
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Tax year 2012 unamended return:

There was no excess, just a new additional undistributed amount

Below is the roll forward of undistributed amounts by year at the beginning of 2013 assuming that the Foundation was allowed the election to use the excesses in the years 2010 and 2011 as described above:

2004	28,533.00
2005	15,550.00
2006	13,937.00
2007	41,269.00
2008	8,797.00
2009	-
2010	-
2011	26,289.00
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	134,375.00
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Based on this pattern of FIFO, on the Amended Form 990-PF for 2013, the excess available of \$5,649 should be treated as being made out of the tax year ending:

Tax Year

2004	5,649.00
	<u>5,649.00</u>

Based on the above calculations, the rolled forward undistributed amounts going into the beginning of 2014 would be as follows:

2004	22,884.00
2005	15,550.00
2006	13,937.00
2007	41,269.00
2008	8,797.00
2009	-
2010	-
2011	26,289.00
	<u>26,289.00</u>
	<u>128,726.00</u>

Because qualifying distributions in 2014 were not sufficient to exhaust the undistributed income for the prior year, no Code Section 4942(h)(2) election can be made; there are no excess distributions available to apply to any prior year. As a result, the Amended Form 990-PF for 2014 creates a new undistributed amount of \$42,319.

The rolled forward undistributed amounts going into the beginning of 2015 are:

2004	22,884.00
2005	15,550.00
2006	13,937.00
2007	41,269.00
2008	8,797.00
2009	-
2010	-
2011	26,289.00
2012	42,319.00
	<u>42,319.00</u>
	<u>171,045.00</u>

Based on this pattern of FIFO, on the Form 990-PF for 2015, the excess available of \$35,117 should be Treated as being made out of the tax year ending:

Tax Year	
2004	22,884.00
2005	12,233.00
	<hr/> <u>35,117.00</u>

At the end of 2015, the undistributed amounts roll forward as follows:

2004	-
2005	3,317.00
2006	13,937.00
2007	41,269.00
2008	8,797.00
2009	-
2010	-
2011	26,289.00
2012	<hr/> <u>42,319.00</u>
	<hr/> <u>135,928.00</u>

As of the date of this filing, the Foundation has distributed amounts in excess of \$135,928 (the cumulative total undistributed amount as of the end of 2015) to qualified charities. The Foundation is treating such distributions as being made out of the undistributed income for the taxable years for which a tax would have been imposed. In addition, the Foundation will distribute at least \$109,157 to qualified charities prior to December 31, 2016 (which reflects the undistributed income for 2015). In total, the Foundation will distribute at least \$245,085 to qualified charities by December 31, 2016. In addition to the Form 990-PF for 2015, please refer to the Amended Form 990-PF for 2013 and the Amended Form 990-PF for 2014.

Conclusion. For the reasons set forth above, the Foundation has complied with the requirements of Code Section 4942(a)(2)(B), (C), and (D), and requests that no tax be imposed on its failure to distribute the required amounts.