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

2016

Department of the Treasury
Internal Revenue Service

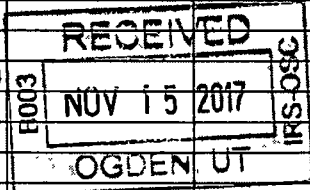
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Open to Public Inspection

For calendar year 2016 or tax year beginning , 2016, and ending , 20

Name of foundation THE ZACHRY FOUNDATION		A Employer identification number 74-1485544
Number and street (or P O box number if mail is not delivered to street address) 2330 NORTH LOOP 1604 WEST	Room/suite	B Telephone number (see instructions) 210-258-2100
City or town, state or province, country, and ZIP or foreign postal code SAN ANTONIO, TX 78248-4512		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 type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input checked="" 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) ▶ \$ 9,957,849	J Accounting method: <input checked="" type="checkbox"/> Cash <input 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, 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).)		(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)	2,000,000			
	2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B				
	3 Interest on savings and temporary cash investments				
	4 Dividends and interest from securities	158,837	158,837		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	146,184			
	b Gross sales price for all assets on line 6a	1,288,912			
	7 Capital gain net income (from Part IV, line 2)		146,184		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less returns and allowances				
b Less: Cost of goods sold					
c Gross profit or (loss) (attach schedule)					
11 Other income (attach schedule)	755,221	(2,295)			
12 Total. Add lines 1 through 11	3,060,242	302,726			
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	36,000	9,000		27,000
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach schedule)				
	c Other professional fees (attach schedule)	49,918	49,918		
	17 Interest				
	18 Taxes (attach schedule) (see instructions)	9,146	2,081		2,065
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)	5,128	3,847		1,280
	24 Total operating and administrative expenses. Add lines 13 through 23	100,192	64,846		30,345
	25 Contributions, gifts, grants paid	1,620,000			1,620,000
26 Total expenses and disbursements. Add lines 24 and 25	1,720,192	64,846		1,650,345	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	1,340,050				
b Net investment income (if negative, enter -0-)		237,880			
c Adjusted net income (if negative, enter -0-)					



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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	75,987	118,551	118,551
	2 Savings and temporary cash investments			
	3 Accounts receivable ▶			
	Less: allowance for doubtful accounts ▶			
	4 Pledges receivable ▶			
	Less: allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)			
	7 Other notes and loans receivable (attach schedule) ▶			
	Less: allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments—U.S. and state government obligations (attach schedule)			
	b Investments—corporate stock (attach schedule)	7,151,535	7,726,146	7,948,024
	c Investments—corporate bonds (attach schedule)			
	11 Investments—land, buildings, and equipment: basis ▶			
Less: accumulated depreciation (attach schedule) ▶				
12 Investments—mortgage loans				
13 Investments—other (attach schedule)	1,088,399	1,891,274	1,891,274	
14 Land, buildings, and equipment: basis ▶				
Less: accumulated depreciation (attach schedule) ▶				
15 Other assets (describe ▶)				
16 Total assets (to be completed by all filers—see the instructions. Also, see page 1, item I)	8,315,921	9,735,971	9,957,849	
Liabilities	17 Accounts payable and accrued expenses	2,202	2,202	
	18 Grants payable	165,000	245,000	
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)	167,202	247,202	
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ <input type="checkbox"/>			
	and complete lines 24 through 26 and lines 30 and 31.			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here ▶ <input type="checkbox"/>			
	and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds			
28 Paid-in or capital surplus, or land, bldg., and equipment fund				
29 Retained earnings, accumulated income, endowment, or other funds	8,148,719	9,488,769		
30 Total net assets or fund balances (see instructions)	8,148,719	9,488,769		
31 Total liabilities and net assets/fund balances (see instructions)	8,315,921	9,735,971		

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	8,148,719
2 Enter amount from Part I, line 27a		2	1,340,050
3 Other increases not included in line 2 (itemize) ▶		3	
4 Add lines 1, 2, and 3		4	9,488,769
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	9,488,769

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))
(i) 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)	{ If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }			2
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

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))
2015	1,278,345	7,890,386	0.162012
2014	1,258,858	7,889,875	0.159554
2013	2,091,835	8,811,020	0.237411
2012	1,546,803	8,553,142	0.180846
2011	2,032,310	8,373,733	0.242701

2 Total of line 1, column (d)	2	0.98252
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	0.19650
4 Enter the net value of noncharitable-use assets for 2016 from Part X, line 5	4	7,345,940
5 Multiply line 4 by line 3	5	1,443,477
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	2,379
7 Add lines 5 and 6	7	1,445,856
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	1,650,345

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> 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 <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b	1	2,379	
c	All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).			
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	2		
3	Add lines 1 and 2	3	2,379	
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	4		
5	Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-	5	2,379	
6	Credits/Payments:			
a	2016 estimated tax payments and 2015 overpayment credited to 2016	6a	29,850	
b	Exempt foreign organizations—tax withheld at source	6b		
c	Tax paid with application for extension of time to file (Form 8868)	6c		
d	Backup withholding erroneously withheld	6d		
7	Total credits and payments. Add lines 6a through 6d	7	29,850	
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		
10	Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	27,471	
11	Enter the amount of line 10 to be: Credited to 2017 estimated tax 27,471 Refunded	11		

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		✓
1b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see Instructions for the definition)? <i>If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.</i>		✓
1c 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? <i>If "Yes," attach a detailed description of the activities.</i>		✓
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? <i>If "Yes," attach a conformed copy of the changes.</i>		✓
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		✓
4b 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? <i>If "Yes," attach the statement required by General Instruction T.</i>		✓
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	✓	
7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If "Yes," complete Part II, col. (c), and Part XV</i>	✓	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) ▶		
8b 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 <i>General Instruction G</i> ? <i>If "No," attach explanation</i>	✓	
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 2016 or the taxable year beginning in 2016 (see instructions for Part XIV)? <i>If "Yes," complete Part XIV</i>		✓
10 Did any persons become substantial contributors during the tax year? <i>If "Yes," attach a schedule listing their names and addresses</i>		✓

Part VII-A Statements Regarding Activities (continued)

	Yes	No
11 At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)		✓
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)		✓
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ▶ ZACHRYFOUNDATION.ORG	✓	
14 The books are in care of ▶ GONZALO ORNELAS Telephone no. ▶ 210-258-2100 Located at ▶ 2330 N LOOP 1604 W SAN ANTONIO, TX ZIP+4 ▶ 78248-4512		
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		<input type="checkbox"/>
16 At any time during calendar year 2016, 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 ▶		✓

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	
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 2016?	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 2016, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2016? <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	✓
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 2016 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 2016.)	3b	
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	✓
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 2016?	4b	✓

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 4945(d)(4)(A)? (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)? Yes No
Organizations relying on a current notice regarding disaster assistance check here

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? Yes No
If "Yes," attach the statement required by Regulations section 53.4945–5(d).

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

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
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

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
SEE ATTACHED				

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 NONE

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
.....		
.....		
.....		
.....		
.....		
.....		
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	
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	
2	
3 All other program-related investments. See instructions	
Total. Add lines 1 through 3	

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:		
a	Average monthly fair market value of securities	1a	7,237,945
b	Average of monthly cash balances	1b	250,729
c	Fair market value of all other assets (see instructions)	1c	1,209,266
d	Total (add lines 1a, b, and c)	1d	8,697,940
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	
3	Subtract line 2 from line 1d	3	8,697,940
4	Cash deemed held for charitable activities. Enter 1½% of line 3 (for greater amount, see instructions)	4	1,352,000
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	7,345,940
6	Minimum investment return. Enter 5% of line 5	6	367,297

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	367,297
2a	Tax on investment income for 2016 from Part VI, line 5	2a	2,379
b	Income tax for 2016. (This does not include the tax from Part VI.)	2b	
c	Add lines 2a and 2b	2c	2,379
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	364,918
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	364,918
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	364,918

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	1,650,345
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	1,650,345
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	1,650,345

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 2015	(c) 2015	(d) 2016
1 Distributable amount for 2016 from Part XI, line 7				364,918
2 Undistributed income, if any, as of the end of 2016:				
a Enter amount for 2015 only				
b Total for prior years: 20 __, 20 __, 20 __				
3 Excess distributions carryover, if any, to 2016:				
a From 2011				2,032,310
b From 2012				1,546,803
c From 2013				2,098,512
d From 2014				1,258,858
e From 2015				1,278,245
f Total of lines 3a through e	8,214,728			
4 Qualifying distributions for 2016 from Part XII, line 4: ► \$ <u>1,650,345</u>				
a Applied to 2015, 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 2016 distributable amount				
e Remaining amount distributed out of corpus	1,650,345			
5 Excess distributions carryover applied to 2016 (If an amount appears in column (d), the same amount must be shown in column (a).)	364,918			364,918
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	10,229,991			
b Prior years' undistributed income. Subtract line 4b from line 2b				
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 2015. Subtract line 4a from line 2a. Taxable amount—see instructions				
f Undistributed income for 2016. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2017				0
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)				
8 Excess distributions carryover from 2011 not applied on line 5 or line 7 (see instructions)	2,397,128			
9 Excess distributions carryover to 2017. Subtract lines 7 and 8 from line 6a	7,832,863			
10 Analysis of line 9:				
a Excess from 2012				1,546,803
b Excess from 2013				2,098,512
c Excess from 2014				1,258,858
d Excess from 2015				1,278,345
e Excess from 2016				1,650,345

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

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2016, enter the date of the ruling ▶

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

	Tax year				(e) Total
	(a) 2016	(b) 2015	(c) 2014	(d) 2013	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon:					
a "Assets" alternative test—enter:					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test—enter:					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year—see instructions.)

1 Information Regarding Foundation Managers:

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000). (See section 507(d)(2).)

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:

Check here if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a The name, address, and telephone number or e-mail address of the person to whom applications should be addressed:

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

c Any submission deadlines:

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

Part XV Supplementary Information *(continued)*

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

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a <i>Paid during the year</i>			SEE SUPPORT	
Total ▶ 3a				1,620,000
b <i>Approved for future payment</i>				
Total ▶ 3b				

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Part 1 - Line 6a & 6b
 Capital Gains (Losses)

	Date Acquired	Date Sold	Sales Proceeds	Cost	Gain (loss)
<u>Long Term</u>					
Frost Bank Trust	Various	Various	245,000	257,139	(12,139)
Harbor International	Various	Various	38,551	45,424	(6,873)
MFS Global Alt	Various	Various	18,250	18,770	(520)
Oppenheimer	Various	Various	12,500	14,026	(1,526)
S&P 500	Various	Various	52,097	49,297	2,800
AMG Southern Sun	Various	Various	37,500	25,484	12,016
Diamond Hill	Various	Various	32,000	21,274	10,726
Salient Tactical	Various	Various	18,250	18,988	(738)
Western Advisors	Various	Various	369,439	312,058	57,381
Loomis	Various	Various	166,385	139,507	26,878
			989,972	901,967	88,005
<u>Short Term</u>					
Western Advisors	Various	Various	155,907	170,585	(14,678)
Loomis	Various	Various	55,750	70,176	(14,426)
			211,657	240,761	(29,104)
Capital Gain Distributions - Long Term			26,814		26,814
Capital Gain - Incube - Short Term			11,287		11,287
Capital Gain - Incube - Long Term			49,182		49,182
			1,288,912	1,142,728	146,184

Part I Analysis of Expenses - 2016

	Revenue & Exp per Books (a)	Net Investment Income (b)	Adjusted Net Income (c)	Disbursements for Charitable Purposes (d)
Line 11 - Other Income				
Incube				
Valuation Adjustment	757,516			
Operating Loss	(2,295)	(2,295)		
	755,221	(2,295)	-	-
Line 16c - Other Professional Fees				
Morgan Stanley	14,297	14,297		
Incube	25,474	25,474		
Frost	122	122		
Loomis	3,903	3,903		
West End	6,122	6,122		
	49,918	49,918	-	-
Line 18 - Taxes				
Payroll	2,754	689		2,065
Property				
Federal Excise	5,000			
Foreign - Harbor	1,029	1,029		
Foreign - Oppenheimer	363	363		
	9,146	2,081	-	2,065
Line 23 - Other Expenses				
Insurance	5,128	3,847		1,280

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Part II Balance Sheet Line 10b	1/1/2016 Cost	12/31/2016 Cost	12/31/2016 Market
Cash	75,987	118,551	118,551
Investments:			
Fixed Income			
Frost National Bank	2,790,466	3,046,620	2,917,808
Alternatives:			
Forward Tactical Growth	225,958	207,525	207,023
FPA Crescent	176,596	185,067	177,356
MFS Global Alt	192,958	178,794	165,173
	595,512	571,386	549,552
Equities:			
Southern Sun	512,441	486,957	567,570
Diamond Hill	361,688	430,510	577,807
Westend Advisors	764,981	752,273	837,585
Loomis	445,352	499,490	648,898
Harbor International	708,588	750,336	623,481
Oppenheimer	227,279	239,328	207,398
S&P 500 Index	725,901	944,226	1,012,905
	3,746,230	4,103,120	4,475,644
Cash - Morgan Stanley	19,327	5,020	5,020
Total Marketable Securities	7,151,535	7,726,146	7,948,024
Part II Balance Sheet Line 13:			
Other Investments:			
Incube	1,088,399	1,891,274	1,891,274

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Part X - Minimum Investment Return - 2016

	Marketable Securities (a)	Cash (b)	Other Investments (c)	Total (d)
January	6,911,980	1,071,311	1,088,399	9,071,690
February	6,832,673	66,323	1,188,399	8,087,395
March	7,151,478	38,836	1,188,399	8,378,713
April	7,126,549	59,145	1,188,399	8,374,093
May	7,151,996	96,117	1,144,336	8,392,449
June	7,125,113	93,633	1,144,336	8,363,082
July	7,321,445	88,947	1,144,336	8,554,728
August	7,314,463	86,466	1,144,336	8,545,265
September	7,338,263	83,985	1,144,336	8,566,584
October	6,759,701	1,081,877	1,144,336	8,985,914
November	7,873,657	123,553	1,100,306	9,097,516
December	7,948,024	118,551	1,891,274	9,957,849
Total	86,855,342	3,008,744	14,511,192	104,375,278
Average	7,237,945	250,729	1,209,266	8,697,940

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Part XV - Grants & Contributions Paid During the Year or Approved for Future Payment

University of Texas Health Science Center	1,000,000
P16 Plus Council	25,000
San Antonio Botanical Society	10,000
Avance - San Antonio	5,000
Youth Orchestra of San Antonio	30,000
Good Samaritan Center	25,000
Texas A&M Foundation	5,000
San Antonio Botanical Society	25,000
San Antonio Sports Foundation	25,000
San Antonio Public Library	25,000
San Antonio Symphony	50,000
Vanderbilt University	50,000
Cibolo Nature Center	15,000
San Antonio Foundation	15,000
The Diocese of West Texas	40,000
The Doseum	25,000
City of San Antonio - Sculpture	170,000
The Diocese of West Texas - 2017 (Grant Payable)	40,000
The Diocese of West Texas - 2018 (Grant Payable)	40,000
	1,620,000

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Part VIII - Officers, Directors & Trustees

1. List of officers, directors, trustees, managers and their compensation

Name & Address (a)	Title and Average Hours per Week Devoted to Position (b)	Compensation (c)
James P. Zachry	President and Trustee	-
H.B. Zachry Jr.	Vice President and Trustee	-
Mollie Zachry	Trustee	-
Anne Zachry Rochelle	Executive Director, Vice President, Trustee 30 Hours per Week	36,000
Ellen Zachry Carrie	Trustee	-
Cathy Obriotti Green	Trustee	-
Gonzalo Ornelas	Secretary, Treasurer, Trustee	-

Address for all:
2330 North Loop 1604 West
San Antonio, TX 78248-4512