

Form **990-PF**

Return of Private Foundation

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

OMB No 1545-0052

2017

Department of the Treasury
Internal Revenue Service

Do not enter social security numbers on this form as it may be made public
Go to www.irs.gov/Form990PF for instructions and the latest information.

Open to Public Inspection

For calendar year 2017 or tax year beginning _____, and ending _____

Name of foundation
**THE KARNES MEMORIAL FUND
BANK OF PONTIAC, TRUSTEE**

Number and street (or P O box number if mail is not delivered to street address) Room/suite
606 WEST OAK ST., P.O. BOX 288

City or town, state or province, country, and ZIP or foreign postal code
FAIRBURY, IL 61739

A Employer identification number
37-6243213

B Telephone number
(815)692-2302

C If exemption application is pending check here *b*

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

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

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here

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

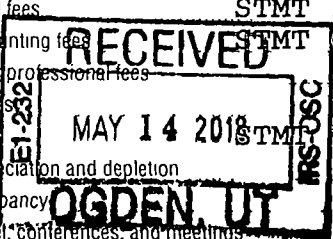
H Check type of organization: Section 501(c)(3) exempt private foundation *54*
 Section 4947(a)(1) nonexempt charitable trust Other taxable private foundation

I Fair market value of all assets at end of year (from Part II, col. (c), line 16) **\$ 2,344,804.**
J Accounting method Cash Accrual
 Other (specify) _____

(Part I, column (d) must be on cash basis.)

01/03
04/18

| 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)) | | (a) Revenue and expenses per books | (b) Net investment income | (c) Adjusted net income | (d) Disbursements for charitable purposes (cash basis only) |
|---|---|------------------------------------|---------------------------|-------------------------|---|
| Revenue | | | | N/A | |
| 1 | Contributions, gifts, grants, etc., received | | | | |
| 2 | Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch B | | | | |
| 3 | Interest on savings and temporary cash investments | 107. | 107. | | STATEMENT 1 |
| 4 | Dividends and interest from securities | 12,143. | 12,143. | | STATEMENT 2 |
| 5a | Gross rents | 112,085. | 112,085. | | STATEMENT 3 |
| b | Net rental income or (loss) | 63,272. | | | STATEMENT 4 |
| 6a | Net gain or (loss) from sale of assets not on line 10 | 17,641. | | | |
| b | Gross sales price for all assets on line 6a | 34,367. | | | |
| 7 | Capital gain net income (from Part IV, line 2) | | 17,641. | | |
| 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) | | | | |
| 11 | Other income | | | | |
| 12 | Total Add lines 1 through 11 | 141,976. | 141,976. | | |
| Operating and Administrative Expenses | | | | | |
| 13 | Compensation of officers, directors, trustees, etc | 6,599. | 3,299. | | 3,300. |
| 14 | Other employee salaries and wages | | | | |
| 15 | Pension plans, employee benefits | | | | |
| 16a | Legal fees <i>STMT 5</i> | 4,300. | 2,150. | | 2,150. |
| b | Accounting fees <i>STMT 6</i> | 13,726. | 6,863. | | 6,863. |
| c | Other professional fees | | | | |
| 17 | Interest | | | | |
| 18 | Taxes <i>STMT 7</i> | 11,128. | 10,194. | | 15. |
| 19 | Depreciation and depletion | 107. | 107. | | |
| 20 | Occupancy | | | | |
| 21 | Travel, conferences, and meetings | | | | |
| 22 | Printing and publications | | | | |
| 23 | Other expenses <i>STMT 8</i> | 38,934. | 38,934. | | 0. |
| 24 | Total operating and administrative expenses Add lines 13 through 23 | 74,794. | 61,547. | | 12,328. |
| 25 | Contributions, gifts, grants paid | 90,050. | | | 90,050. |
| 26 | Total expenses and disbursements Add lines 24 and 25 | 164,844. | 61,547. | | 102,378. |
| 27 | Subtract line 26 from line 12: | | | | |
| a | Excess of revenue over expenses and disbursements | -22,868. | | | |
| b | Net investment income (if negative, enter -0-) | | 80,429. | | |
| c | Adjusted net income (if negative, enter -0-) | | | N/A | |



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**THE KARNES MEMORIAL FUND
BANK OF PONTIAC, TRUSTEE**

| Part II Balance Sheets | | Attached schedules and amounts in the description column should be for end-of-year amounts only | | |
|---|---|---|---|---------|
| | | Beginning of year (a) Book Value | End of year (b) Book Value (c) Fair Market Value | |
| Assets | 1 Cash - non-interest-bearing | | | |
| | 2 Savings and temporary cash investments | 39,509. | 15,355. | 15,355. |
| | 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 | | | |
| | 7 Other notes and loans receivable ▶ | | | |
| | 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 | | | |
| | b Investments - corporate stock | | | |
| | c Investments - corporate bonds | | | |
| | 11 Investments land, buildings, and equipment basis ▶ 632,052. | | | |
| Less accumulated depreciation STMT 9 ▶ 11,163. | 620,996. | 620,889. | 1,875,728. | |
| 12 Investments - mortgage loans | | | | |
| 13 Investments - other STMT 10 | 349,456. | 350,849. | 453,721. | |
| 14 Land, buildings, and equipment: basis ▶ | | | | |
| Less accumulated depreciation ▶ | | | | |
| 15 Other assets (describe ▶) | | | | |
| 16 Total assets (to be completed by all filers - see the instructions Also, see page 1, item I) | 1,009,961. | 987,093. | 2,344,804. | |
| Liabilities | 17 Accounts payable and accrued expenses | | | |
| | 18 Grants payable | | | |
| | 19 Deferred revenue | | | |
| | 20 Loans from officers, directors, trustees, and other disqualified persons | | | |
| | 21 Mortgages and other notes payable | | | |
| | 22 Other liabilities (describe ▶) | | | |
| 23 Total liabilities (add lines 17 through 22) | 0. | 0. | | |
| 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 checked="" type="checkbox"/> | | | |
| | and complete lines 27 through 31 | | | |
| | 27 Capital stock, trust principal, or current funds | 0. | 0. | |
| 28 Paid-in or capital surplus, or land, bldg., and equipment fund | 0. | 0. | | |
| 29 Retained earnings, accumulated income, endowment, or other funds | 1,009,961. | 987,093. | | |
| 30 Total net assets or fund balances | 1,009,961. | 987,093. | | |
| 31 Total liabilities and net assets/fund balances | 1,009,961. | 987,093. | | |

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 | 1,009,961. |
| 2 Enter amount from Part I, line 27a | 2 | -22,868. |
| 3 Other increases not included in line 2 (itemize) ▶ | 3 | 0. |
| 4 Add lines 1, 2, and 3 | 4 | 987,093. |
| 5 Decreases not included in line 2 (itemize) ▶ | 5 | 0. |
| 6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30 | 6 | 987,093. |

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Part IV Capital Gains and Losses for Tax on Investment Income

| (a) List and describe the kind(s) of property sold (for example, 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 AMERICAN FUNDS OF AMERICA | P | VARIOUS | 12/31/17 |
| b CAPITAL GAIN DISTRIBUTIONS - VANGAURD | P | VARIOUS | 12/31/17 |
| c CAPITAL GAIN DISTRIBUTIONS - WASHINGTON | | | |
| d MUTUAL | P | VARIOUS | 12/31/17 |
| e CAPITAL GAIN DISTRIBUTIONS - AMERICAN FUNDS | P | VARIOUS | 12/31/17 |

| (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 25,000. | | 16,726. | 8,274. |
| b 60. | | | 60. |
| c | | | |
| d 4,333. | | | 4,333. |
| e 4,974. | | | 4,974. |

| (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 | (l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h)) |
|------------------------|--------------------------------------|---|---|
| | | | 8,274. |
| | | | 60. |
| | | | 4,333. |
| | | | 4,974. |

| | | |
|---|---|---------|
| 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 | 17,641. |
| 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). If (loss), enter -0- in Part I, line 8 | 3 | N/A |

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 doesn't 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)) |
|---|---------------------------------------|---|--|
| 2016 | 134,307. | 2,344,275. | .057291 |
| 2015 | 169,391. | 2,402,385. | .070510 |
| 2014 | 106,699. | 3,438,683. | .031029 |
| 2013 | 108,371. | 2,277,660. | .047580 |
| 2012 | 109,855. | 2,160,544. | .050846 |

| | | |
|---|---|------------|
| 2 Total of line 1, column (d) | 2 | .257256 |
| 3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5.0, or by the number of years the foundation has been in existence if less than 5 years | 3 | .051451 |
| 4 Enter the net value of noncharitable-use assets for 2017 from Part X, line 5 | 4 | 2,313,017. |
| 5 Multiply line 4 by line 3 | 5 | 119,007. |
| 6 Enter 1% of net investment income (1% of Part I, line 27b) | 6 | 804. |
| 7 Add lines 5 and 6 | 7 | 119,811. |
| 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 | 102,378. |

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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 type="checkbox"/> and enter 1% of Part I, line 27b | 1 | 1,609. |
| c | All other domestic foundations enter 2% of line 27b. Exempt foreign organizations, enter 4% of Part I, line 12, col (b). | | |
| 2 | Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only; others, enter -0-) | 2 | 0. |
| 3 | Add lines 1 and 2 | 3 | 1,609. |
| 4 | Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only, others, enter -0-) | 4 | 0. |
| 5 | Tax based on investment income Subtract line 4 from line 3. If zero or less, enter -0- | 5 | 1,609. |
| 6 | Credits/Payments: | | |
| a | 2017 estimated tax payments and 2016 overpayment credited to 2017 | 6a | 1,000. |
| b | Exempt foreign organizations - tax withheld at source | 6b | 0. |
| c | Tax paid with application for extension of time to file (Form 8868) | 6c | 0. |
| d | Backup withholding erroneously withheld | 6d | 0. |
| 7 | Total credits and payments. Add lines 6a through 6d | 7 | 1,000. |
| 8 | Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached | 8 | 0. |
| 9 | Tax due If the total of lines 5 and 8 is more than line 7, enter amount owed | 9 | 609. |
| 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 2018 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/> | 11 | |

Part VII-A Statements Regarding Activities

| | Yes | No |
|----|-----|----|
| 1a | | X |
| 1b | | X |
| 1c | | X |
| d | | |
| e | | |
| 2 | | X |
| 3 | | X |
| 4a | | X |
| 4b | | |
| 5 | | X |
| 6 | X | |
| 7 | X | |
| 8a | | |
| 8b | X | |
| 9 | | X |
| 10 | | X |

N/A

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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 | | 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 | | X |
| 13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ▶ <u>N/A</u> | X | |
| 14 The books are in care of ▶ <u>THOMAS BRUCKER</u> Telephone no. ▶ <u>(815) 692-2302</u> Located at ▶ <u>606 WEST OAK ST., FAIRBURY, IL</u> ZIP+4 ▶ <u>61739</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 2017, 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 ▶ | | X |

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

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

| | Yes | No |
|---|-----|----------|
| 1a During the year, did the foundation (either directly or indirectly): | | |
| (1) Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (6) Agree to pay money or property to a government official? (Exception: Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance? See instructions. Organizations relying on a current notice regarding disaster assistance, check here | N/A | |
| c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2017? | | X |
| 2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)): | | |
| a At the end of tax year 2017, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2017? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," list the years ▶ _____, _____, _____ | | |
| 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.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | N/A | |
| c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ▶ _____, _____, _____ | | |
| 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 2017 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 2017.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | N/A | |
| 4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? | | X |
| b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2017? | | X |

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

| | | Yes | No |
|--|---|-----|----|
| 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))? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (3) Provide a grant to an individual for travel, study, or other similar purposes? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | |
| (4) Provide a grant to an organization other than a charitable, etc., organization described in section 4945(d)(4)(A)? See instructions | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 Organizations relying on a current notice regarding disaster assistance, check here | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5b | X |
| 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? If "Yes," attach the statement required by Regulations section 53.4945-5(d) | N/A <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| 6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? If "Yes" to 6b, file Form 8870. | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6b | X |
| 7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction? | N/A | 7b | |

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, and foundation managers and their compensation.

| (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 |
|---|---|---|---|---------------------------------------|
| THOMAS L. LADEAIRIOUS 101 WEST CHESTNUT STREET FAIRBURY, IL 61739 | CHAIRMAN 5.00 | 0. | 0. | 0. |
| DARYL EVANS 701 NORTH SEVENTH STREET FAIRBURY, IL 61739 | TRUSTEE 5.00 | 0. | 0. | 0. |
| BANK OF PONTIAC 104 EAST LOCUST STREET FAIRBURY, IL 61739 | TRUSTEE 5.00 | 6,599. | 0. | 0. |
| NADDENE PILGRIM 5322 NORTH 2040 EAST ROAD FAIRBURY, IL 61739 | TRUSTEE 5.00 | 0. | 0. | 0. |

2 Compensation of five highest-paid employees (other than those included on line 1). 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 0

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors *(continued)*

3 Five highest-paid independent contractors for professional services. If none, enter "NONE."

| (a) Name and address of each person paid more than \$50,000 | (b) Type of service | (c) Compensation |
|---|---------------------|------------------|
| NONE | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Total number of others receiving over \$50,000 for professional services ▶ 0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc

| | Expenses |
|-----------------------|----------|
| 1 SCHOLARSHIPS | |
| | 90,050. |
| 2 | |
| 3 | |
| 4 | |

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2

| | Amount |
|---|--------|
| 1 NONE | |
| | 0. |
| 2 | |
| 3 All other program-related investments See instructions | |
| | |
| | |
| | |

Total. Add lines 1 through 3 ▶ 0.

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

| | | | |
|---|---|----|------------|
| 1 | Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes. | | |
| a | Average monthly fair market value of securities | 1a | 445,082. |
| b | Average of monthly cash balances | 1b | 27,431. |
| c | Fair market value of all other assets | 1c | 1,875,728. |
| d | Total (add lines 1a, b, and c) | 1d | 2,348,241. |
| 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 | 2,348,241. |
| 4 | Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions) | 4 | 35,224. |
| 5 | Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4 | 5 | 2,313,017. |
| 6 | Minimum investment return. Enter 5% of line 5 | 6 | 115,651. |

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 | 115,651. |
| 2a | Tax on investment income for 2017 from Part VI, line 5 | 2a | 1,609. |
| b | Income tax for 2017 (This does not include the tax from Part VI.) | 2b | |
| c | Add lines 2a and 2b | 2c | 1,609. |
| 3 | Distributable amount before adjustments. Subtract line 2c from line 1 | 3 | 114,042. |
| 4 | Recoveries of amounts treated as qualifying distributions | 4 | 0. |
| 5 | Add lines 3 and 4 | 5 | 114,042. |
| 6 | Deduction from distributable amount (see instructions) | 6 | 0. |
| 7 | Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1 | 7 | 114,042. |

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 | 102,378. |
| b | Program-related investments - total from Part IX-B | 1b | 0. |
| 2 | Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes | 2 | |
| 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 | 102,378. |
| 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 | 5 | 0. |
| 6 | Adjusted qualifying distributions. Subtract line 5 from line 4 | 6 | 102,378. |

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.

**THE KARNES MEMORIAL FUND
BANK OF PONTIAC, TRUSTEE**

Part XIII Undistributed Income (see instructions)

| | (a) Corpus | (b) Years prior to 2016 | (c) 2016 | (d) 2017 |
|--|---------------|----------------------------|-------------|-------------|
| 1 Distributable amount for 2017 from Part XI, line 7 | | | | 114,042. |
| 2 Undistributed income, if any, as of the end of 2017 | | | | |
| a Enter amount for 2016 only | | | 100,646. | |
| b Total for prior years: | | 0. | | |
| 3 Excess distributions carryover, if any, to 2017 | | | | |
| a From 2012 | | | | |
| b From 2013 | | | | |
| c From 2014 | | | | |
| d From 2015 | | | | |
| e From 2016 | | | | |
| f Total of lines 3a through e | 0. | | | |
| 4 Qualifying distributions for 2017 from Part XII, line 4: ▶ \$ 102,378. | | | | |
| a Applied to 2016, but not more than line 2a | | | 100,646. | |
| b Applied to undistributed income of prior years (Election required - see instructions) | | 0. | | |
| c Treated as distributions out of corpus (Election required - see instructions) | 0. | | | |
| d Applied to 2017 distributable amount | | | | 1,732. |
| e Remaining amount distributed out of corpus | 0. | | | |
| 5 Excess distributions carryover applied to 2017 (If an amount appears in column (d), the same amount must be shown in column (a).) | 0. | | | 0. |
| 6 Enter the net total of each column as indicated below: | | | | |
| a Corpus Add lines 3f, 4c, and 4e Subtract line 5 | 0. | | | |
| b Prior years' undistributed income. Subtract line 4b from line 2b | | 0. | | |
| c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed | | 0. | | |
| d Subtract line 6c from line 6b. Taxable amount - see instructions | | 0. | | |
| e Undistributed income for 2016 Subtract line 4a from line 2a Taxable amount - see instr | | | 0. | |
| f Undistributed income for 2017. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2018 | | | | 112,310. |
| 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 2012 not applied on line 5 or line 7 | 0. | | | |
| 9 Excess distributions carryover to 2018 Subtract lines 7 and 8 from line 6a | 0. | | | |
| 10 Analysis of line 9: | | | | |
| a Excess from 2013 | | | | |
| b Excess from 2014 | | | | |
| c Excess from 2015 | | | | |
| d Excess from 2016 | | | | |
| e Excess from 2017 | | | | |

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

- 1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2017, 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 | | Prior 3 years | | (e) Total |
|---|----------|----------|---------------|----------|-----------|
| | (a) 2017 | (b) 2016 | (c) 2015 | (d) 2014 | |
| 2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed | | | | | |
| b 85% of line 2a | | | | | |
| c Qualifying distributions from Part XII, line 4 for each year listed | | | | | |
| d Amounts included in line 2c not used directly for active conduct of exempt activities | | | | | |
| e Qualifying distributions made directly for active conduct of exempt activities | | | | | |
| Subtract line 2d from line 2c | | | | | |
| 3 Complete 3a, b, or c for the alternative test relied upon: | | | | | |
| a "Assets" alternative test - enter: | | | | | |
| (1) Value of all assets | | | | | |
| (2) Value of assets qualifying under section 4942(j)(3)(B)(i) | | | | | |
| b "Endowment" alternative test - enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed | | | | | |
| c "Support" alternative test - enter: | | | | | |
| (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) | | | | | |
| (2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(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).)

NONE

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

NONE

- 2 **Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:**
- Check here if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc., to individuals or organizations under other conditions, complete items 2a, b, c, and d.

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

SEE STATEMENT 11

- 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:

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Part XV Supplementary Information *(continued)*

| 3 Grants and Contributions Paid During the Year or Approved for Future Payment | | | | |
|--|---|--------------------------------|----------------------------------|----------------|
| Recipient | If recipient is an individual, show any relationship to any foundation manager or substantial contributor | Foundation status of recipient | Purpose of grant or contribution | Amount |
| Name and address (home or business) | | | | |
| <i>a Paid during the year</i> | | | | |
| SEE ATTACHED SCHEDULE | NONE | I | SCHOLARSHIPS | 90,050. |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total | | | | 90,050. |
| <i>b Approved for future payment</i> | | | | |
| NONE | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total | | | | 0. |

FORM 990-PF INTEREST ON SAVINGS AND TEMPORARY CASH INVESTMENTS STATEMENT 1

| SOURCE | (A) REVENUE PER BOOKS | (B) NET INVESTMENT INCOME | (C) ADJUSTED NET INCOME |
|-------------------------|-----------------------------|---------------------------------|-------------------------------|
| BANK OF PONTIAC | 86. | 86. | |
| STEFFEN FARM ACCOUNT | 21. | 21. | |
| TOTAL TO PART I, LINE 3 | 107. | 107. | |

FORM 990-PF DIVIDENDS AND INTEREST FROM SECURITIES STATEMENT 2

| SOURCE | GROSS AMOUNT | CAPITAL GAINS DIVIDENDS | (A) REVENUE PER BOOKS | (B) NET INVEST- MENT INCOME | (C) ADJUSTED NET INCOME |
|-------------------|-----------------|-------------------------------|-----------------------------|-----------------------------------|-------------------------------|
| BANK OF PONTIAC | 12,143. | 0. | 12,143. | 12,143. | |
| TO PART I, LINE 4 | 12,143. | 0. | 12,143. | 12,143. | |

FORM 990-PF RENTAL INCOME STATEMENT 3

| KIND AND LOCATION OF PROPERTY | ACTIVITY NUMBER | GROSS RENTAL INCOME |
|---------------------------------------|--------------------|------------------------|
| FARM | 1 | 112,085. |
| TOTAL TO FORM 990-PF, PART I, LINE 5A | | 112,085. |

FORM 990-PF RENTAL EXPENSES STATEMENT 4

| DESCRIPTION | ACTIVITY NUMBER | AMOUNT | TOTAL |
|--------------|--------------------|--------|-------|
| DEPRECIATION | | 107. | |
| PESTICIDES | | 3,617. | |
| FERTILIZER | | 5,354. | |
| SEED | | 5,814. | |
| MACHINE HIRE | | 717. | |
| DRYING | | 2,521. | |

| | | | |
|---|--------------|---------|---------|
| INSURANCE | | 1,340. | |
| PROPERTY TAXES | | 10,194. | |
| PAYMENT TO FARM TENANT | | 19,149. | |
| | - SUBTOTAL - | 1 | 48,813. |
| TOTAL RENTAL EXPENSES | | | 48,813. |
| NET RENTAL INCOME TO FORM 990-PF, PART I, LINE 5B | | | 63,272. |

FORM 990-PF LEGAL FEES STATEMENT 5

| DESCRIPTION | (A) EXPENSES PER BOOKS | (B) NET INVEST- MENT INCOME | (C) ADJUSTED NET INCOME | (D) CHARITABLE PURPOSES |
|----------------------------|------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| LEGAL FEES | 4,300. | 2,150. | | 2,150. |
| TO FM 990-PF, PG 1, LN 16A | 4,300. | 2,150. | | 2,150. |

FORM 990-PF ACCOUNTING FEES STATEMENT 6

| DESCRIPTION | (A) EXPENSES PER BOOKS | (B) NET INVEST- MENT INCOME | (C) ADJUSTED NET INCOME | (D) CHARITABLE PURPOSES |
|------------------------------|------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| PROFESSIONAL FEES | 13,726. | 6,863. | | 6,863. |
| TO FORM 990-PF, PG 1, LN 16B | 13,726. | 6,863. | | 6,863. |

FORM 990-PF TAXES STATEMENT 7

| DESCRIPTION | (A) EXPENSES PER BOOKS | (B) NET INVEST- MENT INCOME | (C) ADJUSTED NET INCOME | (D) CHARITABLE PURPOSES |
|-----------------------------|------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| ILLINOIS FILING FEE | 15. | 0. | | 15. |
| EXCEISE TAX | 919. | 0. | | 0. |
| PROPERTY TAXES | 10,194. | 10,194. | | 0. |
| TO FORM 990-PF, PG 1, LN 18 | 11,128. | 10,194. | | 15. |

FORM 990-PF OTHER EXPENSES STATEMENT 8

| DESCRIPTION | (A) EXPENSES PER BOOKS | (B) NET INVEST- MENT INCOME | (C) ADJUSTED NET INCOME | (D) CHARITABLE PURPOSES |
|-----------------------------------|------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| MISCELLANEOUS EXPENSE | 422. | 422. | | 0. |
| PESTICIDES | 3,617. | 3,617. | | 0. |
| FERTILIZER | 5,354. | 5,354. | | 0. |
| SEED | 5,814. | 5,814. | | 0. |
| MACHINE HIRE | 717. | 717. | | 0. |
| DRYING | 2,521. | 2,521. | | 0. |
| INSURANCE | 1,340. | 1,340. | | 0. |
| PAYMENT TO FARM TENANT | 19,149. | 19,149. | | 0. |
| TOTAL TO FORM 990-PF, PG 1, LN 23 | 38,934. | 38,934. | | 0. |

FORM 990-PF DEPRECIATION OF ASSETS HELD FOR INVESTMENT STATEMENT 9

| DESCRIPTION | COST OR OTHER BASIS | ACCUMULATED DEPRECIATION | BOOK VALUE |
|------------------------------------|------------------------|-----------------------------|------------|
| NEW TILE | 6,605. | 6,605. | 0. |
| LAND | 620,411. | 0. | 620,411. |
| FULLY DEPRECIATED TILE | 1,785. | 1,785. | 0. |
| NEW TILE | 1,650. | 1,650. | 0. |
| NEW TILE | 1,601. | 1,123. | 478. |
| TOTAL TO FM 990-PF, PART II, LN 11 | 632,052. | 11,163. | 620,889. |

FORM 990-PF OTHER INVESTMENTS STATEMENT 10

| DESCRIPTION | VALUATION METHOD | BOOK VALUE | FAIR MARKET VALUE |
|--|---------------------|------------|----------------------|
| MUTUAL FUNDS | COST | 350,849. | 453,721. |
| TOTAL TO FORM 990-PF, PART II, LINE 13 | | 350,849. | 453,721. |

FORM 990-PF

GRANT APPLICATION SUBMISSION INFORMATION
PART XV, LINES 2A THROUGH 2D

STATEMENT 11

NAME AND ADDRESS OF PERSON TO WHOM APPLICATIONS SHOULD BE SUBMITTED

THE KARNES MEMORIAL FUND BOARD OF GOVERNORS
P.O. BOX 302
FAIRBURY, IL 61739

TELEPHONE NUMBER

(815)692-2302

FORM AND CONTENT OF APPLICATIONS

GENERAL BACKGROUND, SCHOOL/COMMUNITY ACTIVITIES & PARENTS' FINANCIAL
ANALYSIS MUST BE SUBMITTED

ANY SUBMISSION DEADLINES

MARCH 1

RESTRICTIONS AND LIMITATIONS ON AWARDS

MUST BE GRADUATE OF PRAIRIE CENTRAL COMMUNITY UNIT SCHOOL DISTRICT #8,
WHICH SERVES FAIRBURY, FORREST, & CHATSWORTH, IL