

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

2001

Department of the Treasury
Internal Revenue Service

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

For calendar year **2001**, or tax year beginning , **2001**, & ending , **20**

G Check all that apply: Initial return Final return Amended return Address change Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of organization Morris & Nellie L Kawaler Foundation	A Employer identification number 13-3442495
	Number and street (or P.O. box number if mail is not delivered to street address) Room/suite PO Box 431	B Telephone number (see the instructions) 518-789-3333
	City or town, state, and ZIP code Millerton NY 12546	C If exempt, application is pending, check here <input type="checkbox"/>

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, col. (c), line 16) **\$ 10,181,852.**

J Accounting method: Cash Accrual
 Other (specify) _____

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

Part I	Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), & (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)
R E V E N U E	1 Contributions, gifts, grants, etc., received (attach schedule). Check <input type="checkbox"/> if the foundation is not required to attach Sch. B	250,000.			
	2 Distributions from split-interest trusts				
	3 Interest on savings and temp. cash investments	37,352.	37,352.	37,352.	
	4 Dividends and interest from securities	455,678.	455,678.	455,678.	
	5a Gross rents				
	b (Net rental income or (loss))				
	6a Net gain/(loss) from sale of assets not on line 10	22,188.			
	b Gross sales price for all assets on line 6a 545,429.				
	7 Capital gain net income (from Part IV, line 2)		22,188.		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less rtns. & allowances				
b Less: Cost of goods sold					
c Gross profit or (loss) (attach schedule)					
11 Other income (attach schedule)					
12 Total. Add lines 1 through 11	765,218.	515,218.	493,030.		
O P E R A T I N G & A D M I N. E X P E N S E S	13 Compensation of officers, directors, trustees, etc.				
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)	21,065.	21,065.	21,065.	
	b Accounting fees (attach schedule)	5,000.	5,000.	3,500.	1,500.
	c Other professional fees (attach schedule)				
	17 Interest				
	18 Taxes (attach schedule) (see the instructions)	4,927.	27.	27.	
	19 Depreciation (attach sch.) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)	828.	828.	828.	
	24 Total operating and administrative expenses. Add lines 13 through 23	31,820.	26,920.	25,420.	1,500.
	25 Contributions, gifts, grants paid	557,000.			557,000.
26 Total exp. & disbursements. Add lines 24 and 25	588,820.	26,920.	25,420.	558,500.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	176,398.				
b Net investment income (if neg., enter -0-)		488,298.			
c Adjusted net income (if neg., enter -0-)			467,610.		

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only. (See inst.)			
		Beginning of year	End of year		
		(a) Book Value	(b) Book Value	(c) Fair Market Value	
ASSETS	1	Cash -- non-interest-bearing	2,270.	1,813.	1,813.
	2	Savings and temporary cash investments	962,442.	1,034,593.	1,034,593.
	3	Accounts receivable ▶ 2,906.			
		Less: allowance for doubtful accts. ▶	4,660.	2,906.	2,906.
	4	Pledges receivable ▶			
		Less: allowance for doubtful accts. ▶			
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see the 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		6,618.	6,618.
	10a	Investments -- U.S. and state gov't. obligations (attach schedule)	3,881,946.	3,604,029.	3,678,521.
	b	Investments -- corporate stock (attach schedule)	1,516,569.	1,271,245.	3,713,705.
	c	Investments -- corporate bonds (attach schedule)	1,004,056.	1,604,856.	1,664,189.
	11	Investments -- land, buildings, and equipment: basis			
	Less: accumulated depreciation (attach schedule) ▶				
12	Investments -- mortgage loans				
13	Investments -- other (attach schedule)				
14	Land, buildings, and equipment: basis ▶				
	Less: accumulated depreciation (attach schedule) ▶				
15	Other assets (describe ▶ <u>Interest Accrued</u>)	72,760.	79,507.	79,507.	
16	Total assets (to be completed by all filers -- see the instructions. Also, see page 1, item I)	7,444,703.	7,605,567.	10,181,852.	
LIABILITIES	17	Accounts payable and accrued expenses	283.		
	18	Grants payable			
	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 ▶ <u>See Schedule</u>)	40,760.	25,511.	
	23	Total liabilities (add lines 17 through 22)	41,043.	25,511.	
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here ▶ <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted	7,403,660.	7,580,056.	
	25	Temporarily restricted			
	26	Permanently restricted			
	Organizations that do not follow SFAS 117, ck. 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			
30	Total net assets or fund balances (see the instructions)	7,403,660.	7,580,056.		
31	Total liabilities and net assets/ fund balances (see the instructions)	7,444,703.	7,605,567.		

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 7,403,660.
2	Enter amount from Part I, line 27a	2 176,398.
3	Other increases not included in line 2 (itemize) ▶	3
4	Add lines 1, 2, and 3	4 7,580,058.
5	Decreases not included in line 2 (itemize) ▶ <u>Pennies</u>	5 2.
6	Total net assets or fund balances at end of year (line 4 minus line 5) -- Part II, column (b), line 30	6 7,580,056.

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 Pfizer fr	d		10/10/2001
b DLJ Cap Pfd	p	12/15/1999	07/13/2001
c AT&T fr	d		07/13/2001
d NuveenTEBF 128	p		08/15/2001
e SEE ATTACHED WORKSHEET			

(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 20.			20.
b 250,000.		245,325.	4,675.
c 10.			10.
d 5,024.		837.	4,187.
e 290,375.		277,079.	13,296.

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
(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	
a			20.
b			4,675.
c			10.
d			4,187.
e			13,296.

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	22,188.
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 the 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 organization liable for the section 4942 tax on the distributable amount of any year in the base period? Yes No
 If "Yes," the organization 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 beg. in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2000	514,528.	10,083,208.	0.0510
1999	511,323.	10,235,645.	0.0500
1998	513,981.	10,014,083.	0.0513
1997	449,420.	9,074,869.	0.0495
1996	390,574.	8,314,553.	0.0470
2 Total of line 1, column (d)			2 0.2488
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 0.0498
4 Enter the net value of noncharitable-use assets for 2001 from Part X, line 5			4 10,174,084.
5 Multiply line 4 by line 3			5 506,669.
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 4,883.
7 Add lines 5 and 6.			7 511,552.
8 Enter qualifying distributions from Part XII, line 4			8 558,500.

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 the instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here... <input type="checkbox"/> & enter "N/A" on line 1. Date of ruling letter: _____ (attach copy of ruling letter if necessary -- see instructions)			
b Domestic organizations 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	4,883.
c All other domestic organizations 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	4,883.
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	4,883.
6 Credits/Payments:			
a 2001 estimated tax payments and 2000 overpayment credited to 2001	6a	6,501.	
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	6,501.	
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	1,618.	
11 Enter amount of line 10 to be: Credited to 2002 estimated tax <input type="checkbox"/> 1,618. Refunded <input type="checkbox"/>	11		

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the organization attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)? If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.		X
c Did the organization file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the organization... \$ _____ (2) On organization managers... \$ _____		
e Enter the reimbursement (if any) paid by the organization during the year for political expenditure tax imposed on organization managers... \$ _____		
2 Has the organization engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities.		X
3 Has the organization 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.		X
4a Did the organization have unrelated business gross income of \$1,000 or more during the year?		X
b If "Yes," has it filed a tax return on Form 990-T for this year?		
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T.		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?	X	
7 Did the organization have at least \$5,000 in assets at any time during the yr.? If "Yes," complete Part II, col. (c), & Part XV.	X	
8a Enter the states to which the foundation reports or with which it is registered (see the instructions) ▶ <u>ny</u>		
b If the answer is "Yes" to line 7, has the organization 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	X	
9 Is the organization claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2001 or the taxable year beginning in 2001 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during tax year? If "Yes," attach a sch. listing their names & addresses	X	
11 Did the organization comply with the public inspection requirements for its annual returns and exemption application? Web site address ▶ <u>990pf.com</u>	X	
12 The books are in care of ▶ <u>Robert Zabelle</u> Telephone no. ▶ <u>518-78-9333</u> Located at ▶ <u>PO Box 431, Millerton, NY</u> ZIP+4 ▶ <u>12546</u>		
13 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 -- Check here... <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the year... ▶ <u>13</u>		

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.

- 1a During the year did the organization (either directly or indirectly):
(1) Engage in the sale or exchange, or leasing of property with a disqualified person?
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?
(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)?
(6) Agree to pay money or property to a government official? (Exception. Check "No" if the organization agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)

Table with 2 columns: Yes, No. Rows 1b, 1c, 3b, 4a, 4b, 5b, 6b. Contains 'X' marks in the No column for rows 1b, 1c, 3b, 4a, 4b, 5b, 6b.

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 the instructions)? Organizations relying on a current notice regarding disaster assistance check here.

c Did the organization 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 2001?

2 Taxes on failure to distribute income (section 4942) (does not apply for years the organization was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):

a At the end of tax year 2001, did the organization have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2001? If "Yes," list the years 20 __, 19 __, 19 __, 19 __.

b Are there any years listed in 2a for which the organization 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 the instructions.)

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 __, 19 __, 19 __, 19 __.

3a Did the organization hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?

b If "Yes," did it have excess business holdings in 2001 as a result of (1) any purchase by the organization 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 organization had excess business holdings in 2001.)

4a Did the organization invest during the year any amount in a manner that would jeopardize its charitable purposes?

b Did the organization 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 2001?

5a During the year did the organization pay or incur any amount to:

- (1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?
(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?
(3) Provide a grant to an individual for travel, study, or other similar purposes?
(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)?
(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?

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 the instructions)? Organizations relying on a current notice regarding disaster assistance check here.

c If the answer is "Yes" to question 5a(4), does the organization 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).

6a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? If you answered "Yes" to 6b, also file Form 8870.

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 the 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 comp.	(e) Expense account, other allowances
Robert Zabelle Lakeville CT	President 2	0		
Justin Kawaler Key West FL	Secretary 1	0		
David Marks Port Wash NY	Treasurer 1	0		
Robert Zabelle, CPA Lakeville CT	as CPA 2	5,000.		

2 Compensation of five highest-paid employees (other than those included on line 1 -- see the 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 ▶

3 Five highest-paid independent contractors for professional services -- (see the instructions). If none, enter "NONE."

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

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

Part IX-A Summary of Direct Charitable Activities

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

	Expenses
1	
2	
3	
4	

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

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.		Amount
1	none	
2		
3	All other program-related investments. See the instructions.	
Total. Add lines 1 through 3		

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see the 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		9,227,147.
b	Average of monthly cash balances	1b	
c	Fair market value of all other assets (see the instructions)	1c	1,101,872.
d	Total (add lines 1a, b, and c)	1d	10,329,019.
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	10,329,019.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see the instructions)	4	
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	
6	Minimum investment return. Enter 5% of line 5	6	508,704.

Part XI Distributable Amount (see the 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	508,704.
2a	Tax on investment income for 2001 from Part VI, line 5	2a	4,883.
b	Income tax for 2001. (This does not include the tax from Part VI.)	2b	
c	Add lines 2a and 2b	2c	4,883.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	503,821.
4a	Recoveries of amounts treated as qualifying distributions	4a	
b	Income distributions from section 4947(a)(2) trusts	4b	
c	Add lines 4a and 4b	4c	
5	Add lines 3 and 4c	5	503,821.
6	Deduction from distributable amount (see the instructions)	6	
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1.	7	503,821.

Part XII Qualifying Distributions (see the 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	558,500.
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	558,500.
5	Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see the instructions)	5	4,883.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	553,617.

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 the instructions)

	(a) Corpus	(b) Years prior to 2000	(c) 2000	(d) 2001
1 Distributable amount for 2001 from Part XI, line 7				503,821.
2 Undistributed income, if any, as of the end of 2000:				
a Enter amount for 2000 only				
b Total for prior yrs.: 19__ , 19__ , 19__				
3 Excess distrib. carryover, if any, to 2001:				
a From 1996				
b From 1997				
c From 1998				
d From 1999				
e From 2000				19,236.
f Total of lines 3a through e	19,236.			
4 Qualifying distributions for 2001 from Part XII, line 4: ▶ \$ 558,500.				
a Applied to 2000, but not more than line 2a				
b Applied to undistributed income of prior years (Election required -- see the instructions)				
c Treated as distributions out of corpus (Election required -- see the instructions)				
d Applied to 2001 distributable amount				503,821.
e Remaining amt. distributed out of corpus	54,679.			
5 Excess distrib. carryover applied to 2001 (If an amount appears in column (d), the same amount must be shown in col. (a).)				
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5.	73,915.			
b Prior years' undistributed income. Subtract line 4b from line 2b				
c Enter 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 the instructions				
e Undistributed income for 2000. Subtract line 4a from line 2a. Taxable amount -- see the instructions				
f Undistributed income for 2001. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2002				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see the instructions)				
8 Excess distributions carryover from 1996 not applied on line 5 or line 7 (see the instructions)				
9 Excess distributions carryover to 2002. Subtract lines 7 and 8 from line 6a.	73,915.			
10 Analysis of line 9:				
a Excess from 1997				
b Excess from 1998				
c Excess from 1999				
d Excess from 2000				19,236.
e Excess from 2001				54,679.

Part XIV Private Operating Foundations (see the 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 2001, enter the date of the ruling ▶

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

2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed

Tax year				
(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
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 organization had \$5,000 or more in assets at any time during the year -- see the 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).)

Justin Kawaler

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

a The name, address, and telephone number 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 Paid during the year See Schedule attached		exempt	general	557,000.
Total				3a 557,000.
b Approved for future payment none				
Total				3b

Part XVII

Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

- 1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

	Yes	No
a Transfers from the reporting organization to a noncharitable exempt organization of:		
(1) Cash		X
(2) Other assets		X
b Other Transactions:		
(1) Sales of assets to a noncharitable exempt organization		X
(2) Purchases of assets from a noncharitable exempt organization		X
(3) Rental of facilities, equipment, or other assets		X
(4) Reimbursement arrangements		X
(5) Loans or loan guarantees		X
(6) Performance of services or membership or fundraising solicitations		X
c Sharing of facilities, equipment, mailing lists, other assets, or paid employees		X
d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.		

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Desc. of transfers, transactions, and sharing arrangements

2a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? Yes No

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

S I G N H E R E U s e O n l y	Signature of officer or trustee Date	Title President	Preparer's SSN or PTIN (See Signature in the instructions.) 055-22-5567
Preparer's signature	Date	Check if self-employed <input checked="" type="checkbox"/>	Phone no.
Firm's name (or yours if self-employed), address, and ZIP code Robert Zabelle P O Box 431 Millerton NY 12546			

**Investments - U.S. and State Government
Obligations, Corporate Stock and Corporate Bonds
as of Year End: Page 2, Line 10a, b and c**

US 990PF

2001

Description	Book Value	Fair Market Value
Anaheim CA 6.5%	99,250.	99,988.
Baltimore, MD 6.875%	399,000.	422,764.
Bankers Trust 7.5%	149,063.	159,462.
Baer Stearns	350,000.	334,446.
Coca Cola 8.5%	258,993.	300,323.
Ford BV 9.5%	198,500.	220,774.
Ford 7.375%	250,800.	244,800.
Fairview Hospital, etc.	200,000.	204,168.
Indiana Too Road 5.75%	57,450.	61,407.
Israel 3rd ED	50,000.	50,000.
Israel 8 VRI	25,000.	25,000.
Israel 4ED	25,000.	25,000.
Israel 6 VRI	50,000.	50,000.
Israel 8 ED	25,000.	25,000.
Israel FL R	25,000.	25,000.
NYS Env 9.625%	265,552.	258,688.
NYS HFA 8.3%	10,146.	10,400.
Pacific Bell 7.75%	197,500.	204,384.
Poughkeepsie NY CSDPU 6.1%	99,208.	103,427.
VA HDA 6.375%	299,813.	302,439.
VA HDA 6.6%	1,979,000.	2,015,040.
Worcester MA 7%	95,000.	97,075.
FHLMC 548 7%	99,610.	103,125.
AT&T	41,435.	41,468.
AT&T Wireless	11,919.	10,562.
Arvinmeritor	2,918.	5,185.
AVAYA		1,604.
Bellsouth	28,756.	84,388.
Boeing	1,245.	3,413.
CIGNA	58,875.	277,950.
El Paso	31,600.	71,376.
EXXON Nobil	369,411.	1,294,070.
General Electric	46,000.	384,768.
Georgia Pacific	104,685.	156,217.
Honeywell	18,563.	67,640.
Kroger	54,750.	250,440.
Louisiana Pacific	40,959.	28,021.
Lucent Technologies	749.	10,030.
NCR	2,320.	2,801.
Pfizer	21,600.	263,010.
Plum Creek Timber	42,423.	109,856.
Qwest	10,466.	12,335.
Rockwell Collins	11,879.	20,670.
Rockwell International	7,808.	18,932.
SBC Communications	53,476.	161,811.
Verizon	42,128.	82,485.
Vodaphone	10,824.	31,586.
Conexant Sys		15,222.
Consolidated Edison	103,456.	150,300.
Consolidated Edison, Pfd	153,000.	157,565.
	6,480,130.	9,056,415.

Sale of Securities

US 990

990: Page 6, Line 100; 990-EZ: Page 1, Line 5; 990PF: Page 11, Line 8

2001

Description	Date Acquired	Date Sold	Sales Price	Cost/Basis	Selling Expense	Accumulated Depreciation
nyshfa 8.3%		04/02/2001	256,800.	243,504.		
fhlmc1383			33,575.	33,575.		
nuveen TEBF		08/15/2001	5,024.	837.		
AT&T fr		07/13/2001	10.			
DLJ pfd		07/13/2001	250,000.	245,325.		
Pfizer		10/10/2001	20.			
			545,429.	523,241.		

Detail Sheet

2001

Name: Morris & Nellie L Kawaler Foundation

ID: 13-3442495

Description: Other Assets 12/31/01

	Amount
Interest Accrued	79,507.
Total	79,507.

Detail Sheet

2001

Name: Morris & Nellie L Kawaler Foundation

ID: 13-3442495

Description: Other Liabilities 12/31/01

	Amount
Deferred Tax	10,498.
Outstanding checks	15,013.
Total	25,511.

Detail Sheet

2001

Name: Morris & Nellie L Kawaler Foundation

ID: 13-3442495

Description: Legal & Accounting Fees

	Amount
Legal - Proskauer Rose, LLP	21,065.
Accounting - Robert Zabelle, CPA	5,000.
Total	26,065.

Schedule of Contributors

Supplementary Information for line 1 of Form 990,
990EZ and 990-PF (see instructions)

2001

Name of organization
Morris & Nellie L Kawaler Foundation

Employer identification number
13-3442495

IMPORTANT: Schedule B (Form 990, 990-EZ, or 990-PF) is -

Disclosable for Section 527 organizations that file Form 990 or 990-EZ
 Organizations that file Form 990-PF

Nondisclosable for Organizations that file Form 990 or 990-EZ except for section 527 organizations (see above)

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) private foundation
 4947 (a) (1) trust treated as a 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 box(es) for both the General rule and a Special rule - see instructions.)

General Rule -

For organizations filing Form 990, 990-EZ, or 990-PF that received, during the tax year, \$5,000 or more (in money or property) from any one contributor. (Complete Parts I and II.)

Special Rules -

- For a section 501 (c) (3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under 509 (a) (1)/170 (b) (1) (A) and received a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms from any one contributor. (Complete Parts I and II.)
- For a section 501 (c) (7), (8), or (10) organization filing Form 990 or Form 990-EZ that received total contributions or bequests of more than \$1,000 for use exclusively for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. (Complete Parts I, II, and III.)
- For a section 501 (c) (7), (8), or (10) organization filing Form 990 or Form 990-EZ that did not receive total contributions of more than \$1,000 for use exclusively for religious, charitable, etc., purposes. (If this box is checked, enter here the total contributions received during the year for an exclusively religious, charitable, etc., purpose. Do not complete any of the Parts unless the General rule applies.)..... ▶ \$ _____

Caution: Organizations that are not covered by the General rule and/or the Special rules do not file Schedule B (Form 990, 990-EZ, or 990-PF) but **MUST** check the box in the heading of their Form 990, Form 990-EZ, or on line 1 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Name of organization **Morris & Nellie L Kawaler Foundation** Employer identification number **13-3442495**

Part I: Contributors

(a) No.	(b) Name, address and zip code	(c) Aggregate contributions	(d) Type of contribution
1	Justin Kawaler 1901 So Roosevelt Ave Apt 308 Key West FL 33040	\$ 125,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution).
2	David J. Marks 44 Essex Court Port Washington NY 11050	\$ 62,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution).
3	Robert Zabelle 6 Horseshoe Lane Lakeville CT 06039	\$ 62,500.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution).
(a) No.	(b) Name, address and zip code	(c) Aggregate contributions	(d) Type of contribution
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution).
(a) No.	(b) Name, address and zip code	(c) Aggregate contributions	(d) Type of contribution
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution).
(a) No.	(b) Name, address and zip code	(c) Aggregate contributions	(d) Type of contribution
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if a noncash contribution).

MORRIS & NELLIE L. KAWALER FOUNDATION, INC.
GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2001

ACLD	5,000.00
American Friends of Soroka Medical center of the Negev	5,000.00
American Red Mogen David for Israel	10,000.00
Ames Chamber Asrtists	500.00
Ames Choral Soc.	500.00
Ames Jewish Cong	15,000.00
Ames Town & Gown	1,500.00
Anti Defamation League	2,000.00
Bialystosker Center	1,000.00
Camp Paquatuck	2,000.00
Central Iowa Symphony	1,000.00
Chabad of Key West	1,000.00
Coing. B'nai Zion	3,000.00
Cong. Agudath Achim	20,000.00
Congregation Beth Israel	6,000.00
Congregation B'nai Zion	22,000.00
Emergency Residence Project	1,500.00
Florida Keys Educational Fund	10,000.00
Florida Studio Theater	2,000.00
Florida West Coast Symphony	2,500.00
Geer Nursing & Rehabilitation Center	5,000.00
Givat Haviva Educational Foundation	3,000.00
Goldring/Woldenberg Inst.	1,000.00
Hadassah	10,000.00
Iowa Public Television	1,500.00
Iowa State Foundation	1,500.00
Iowa State Univ. Hillel	1,000.00
Iowa State University	10,000.00
Jewish Center of Moriches	4,000.00
Jewish Childrens regional srev.	1,000.00
Jews for Judiasm	1,000.00
John Philip Sousa Band Shell, Inc.	1,000.00
Key West High School Auditorium Fund	2,000.00
L. I. Junior Soccer League	7,500.00
L. I. Philharmonic	20,000.00
Marc House of Key West	5,000.00
Mary Greely Med Center Foundation	2,000.00
Masonic Brotherhood	10,000.00
Meadows Museum of Art	1,000.00
Met Opera Nat'l Council	1,000.00
Mote Marine Laboratory & Acquarium	5,000.00

MORRIS & NELLIE L. KAWALER FOUNDATION, INC.
GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Music Mountain	17,500.00
Noble Horizons	15,000.00
North East Community Council	2,000.00
North East Millerton Library	3,000.00
North Shore Long Island Jewish Health System	25,000.00
Northwest Center for Family Service and Mental Health, Inc.	10,000.00
Ohr Hadassah Bikur Holin Soc.	1,000.00
Ozone Park kiwanis Fund	20,000.00
Pelican Man Bird Sanctuary	1,500.00
Port Washington Fire Departmet	1,000.00
Prime Time House	10,000.00
Red River Radio	1,000.00
Right to Play	1,000.00
Rotary Community Service Fund at Berkkshire Taconic Communit	5,000.00
Salisbury Public Health Nursing Association	3,000.00
Samaritan Counseling Center	1,000.00
Sarasota Ballat of Florida	10,000.00
Sci-Port Discovery Center	3,000.00
Selby Botanical Gardens	2,000.00
Self Help Community Service	15,000.00
Sharon Hospital Foundation	10,000.00
Shrevepoort Symphony Orchestra	1,000.00
Shreveport-Bossier Jewish celeb. Month	5,000.00
South Queens Boys & Girls Club	50,000.00
St. Francis Hospital	50,000.00
Temple Beth El of Hillsborough	1,500.00
Temple Gates of Zion	10,000.00
Tifferet Israel Yeshiva	3,000.00
Tri-Arts	1,000.00
Trinity Episcopal Church	2,000.00
UJA Key West	25,000.00
UJA Shreveport	24,000.00
UJA-Federation of New York	3,000.00
United Way September 11 Fund	10,000.00
Unity Church of Key West	1,000.00
Wesley House of Key West	5,000.00
WOI Radio (PBS)	1,000.00
Youth Shelter Services	<u>2,500.00</u>
	<u>557,000.00</u>