

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

2007

Department of the Treasury
Internal Revenue Service (77)

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

For calendar year **2007**, or tax year beginning _____, and ending _____

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 foundation DAN AND PAT NELSON FAMILY FOUNDATION Number and street (or P.O. box number if mail is not delivered to street address) Room/suite 2921 HORSEHEAD BAY DR NW City or town, state, and ZIP code GIG HARBOR, WA 98335	A Employer identification number 91-1939872 B Telephone number (253) 265-0088
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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) **\$ 992,992.** (Part I, column (d) must be on cash basis.)

J Accounting method: Cash Accrual
 Other (specify) _____

C If exemption application is pending, check here

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

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
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).)				
Revenue				
1 Contributions, gifts, grants, etc., received	258,275.		N/A	
2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B				
3 Interest on savings and temporary cash investments	2.	2.		STATEMENT 1
4 Dividends and interest from securities	24,951.	24,951.		STATEMENT 2
5a Gross rents				
b Net rental income or (loss)				
6a Net gain or (loss) from sale of assets not on line 10	77,352.			
b Gross sales price for all assets on line 6a	509,156.			
7 Capital gain net income (from Part IV, line 2)		77,352.		
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	182.	182.		STATEMENT 3
12 Total. Add lines 1 through 11	360,762.	102,487.		
Operating and Administrative Expenses				
13 Compensation of officers, directors, trustees, etc.	0.	0.		0.
14 Other employee salaries and wages				
15 Pension plans, employee benefits				
16a Legal fees				
b Accounting fees	2,050.	0.		2,050.
c Other professional fees				
17 Interest				
18 Taxes	1,529.	1,529.		0.
19 Depreciation and depletion				
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications				
23 Other expenses	4,525.	3,730.		795.
24 Total operating and administrative expenses. Add lines 13 through 23	8,104.	5,259.		2,845.
25 Contributions, gifts, grants paid	50,000.			50,000.
26 Total expenses and disbursements. Add lines 24 and 25	58,104.	5,259.		52,845.
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	302,658.			
b Net investment income (if negative, enter -0-)		97,228.		
c Adjusted net income (if negative, enter -0-)			N/A	

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only.		Beginning of year		End of year	
				(a) Book Value	(b) Book Value	(c) Fair Market Value	
Assets	1	Cash - non-interest-bearing		3,142.	6,555.	6,555.	
	2	Savings and temporary cash investments		61,274.	3,704.	3,704.	
	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	STMT 7	19,895.	0.	0.	
	b	Investments - corporate stock	STMT 8	121,965.	222,588.	241,590.	
	c	Investments - corporate bonds	STMT 9	39,979.	39,979.	35,747.	
11	Investments - land, buildings, and equipment: basis						
	Less: accumulated depreciation						
12	Investments - mortgage loans						
13	Investments - other	STMT 10	447,859.	719,600.	705,396.		
14	Land, buildings, and equipment: basis	2,459.					
	Less: accumulated depreciation	STMT 11	2,459.				
15	Other assets (describe)						
16	Total assets (to be completed by all filers)		694,114.	992,426.	992,992.		
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		694,114.	992,426.			
30	Total net assets or fund balances		694,114.	992,426.			
31	Total liabilities and net assets/fund balances		694,114.	992,426.			

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	694,114.
2	Enter amount from Part I, line 27a	2	302,658.
3	Other increases not included in line 2 (itemize)	3	0.
4	Add lines 1, 2, and 3	4	996,772.
5	Decreases not included in line 2 (itemize) UNREALIZED LOSS ON SECURITIES	5	4,346.
6	Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	992,426.

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 SEE ATTACHED STATEMENT				
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 509,156.		431,804.	77,352.	
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) 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				
b				
c				
d				
e			77,352.	
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	77,352.	
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 does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see 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))
2006	35,148.	688,901.	.051020
2005	27,754.	538,172.	.051571
2004	34,855.	480,067.	.072604
2003	22,887.	423,892.	.053993
2002	33,394.	502,269.	.066486
2 Total of line 1, column (d)			.295674
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			.059135
4 Enter the net value of noncharitable-use assets for 2007 from Part X, line 5			866,312.
5 Multiply line 4 by line 3			51,229.
6 Enter 1% of net investment income (1% of Part I, line 27b)			972.
7 Add lines 5 and 6			52,201.
8 Enter qualifying distributions from Part XII, line 4			52,845.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

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

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 letter: _____ (attach copy of ruling 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	972.
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	972.
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	972.
6	Credits/Payments:		
a	2007 estimated tax payments and 2006 overpayment credited to 2007	6a	1,080.
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	1,080.
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	108.
11	Enter the amount of line 10 to be: Credited to 2008 estimated tax <input type="checkbox"/> 108. Refunded <input checked="" type="checkbox"/>	11	0.

Part VII-A Statements Regarding Activities

	Yes	No
1a		X
1b		X
If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.		
1c		X
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. <input type="checkbox"/> \$ 0. (2) On foundation managers. <input type="checkbox"/> \$ 0.	
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. <input type="checkbox"/> \$ 0.	
2		X
If "Yes," attach a detailed description of the activities.		
3		X
4a		X
4b		N/A
5		X
If "Yes," attach the statement required by General Instruction T.		
6	X	
7	X	
If "Yes," complete Part II, col. (c), and Part XV.		
8a	Enter the states to which the foundation reports or with which it is registered (see instructions) <input type="checkbox"/> <u>WA</u>	
8b	X	
9		X
10	X	

Part VII-A Statements Regarding Activities (continued)

11a 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)	11a		X
b If "Yes," did the foundation have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in the attachment for line 11a?	11b		N/A
12 Did the foundation acquire a direct or indirect interest in any applicable insurance contract?	12		X
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	
Website address ► WWW.DPNFAMILY.ORG			
14 The books are in care of ► LORI ANN REEDER		Telephone no. ► (253) 265-0088	
Located at ► 2921 HORSEHEAD BAY DR NW, GIG HARBOR, WA		ZIP+4 ► 98335	
15 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			15 N/A

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 page 22 of the instructions)?			N/A
Organizations relying on a current notice regarding disaster assistance check here			<input type="checkbox"/>
c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2007?			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 2007, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2007?	<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.)			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 2007 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? (<i>Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2007.</i>)			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 2007?			X

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

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

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? Yes No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? Yes No

(3) Provide a grant to an individual for travel, study, or other similar purposes? Yes No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? 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 N/A

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). N/A

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 you answered "Yes" to 6b, also 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.

(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
DAN NELSON 5500 OLYMPIC DRIVE A105-234 GIG HARBOR, WA 98335	PRESIDENT 2.00	0.	0.	0.
PAT NELSON 5500 OLYMPIC DRIVE A105-234 GIG HARBOR, WA 98335	TREASURER 2.00	0.	0.	0.
LORI ANN REEDER 2921 HORSEHEAD BAY DRIVE NW GIG HARBOR, WA 98335	SECRETARY 10.00	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 N/A	
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 N/A	
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	819,742.
b	Average of monthly cash balances	1b	59,763.
c	Fair market value of all other assets	1c	
d	Total (add lines 1a, b, and c)	1d	879,505.
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	879,505.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	13,193.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	866,312.
6	Minimum investment return. Enter 5% of line 5	6	43,316.

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	43,316.
2a	Tax on investment income for 2007 from Part VI, line 5	2a	972.
b	Income tax for 2007. (This does not include the tax from Part VI.)	2b	
c	Add lines 2a and 2b	2c	972.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	42,344.
4	Recoveries of amounts treated as qualifying distributions	4	0.
5	Add lines 3 and 4	5	42,344.
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	42,344.

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	52,845.
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	52,845.
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	972.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	51,873.

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 2006	(c) 2006	(d) 2007
1 Distributable amount for 2007 from Part XI, line 7				42,344.
2 Undistributed income, if any, as of the end of 2006:				
a Enter amount for 2006 only			0.	
b Total for prior years:		0.		
3 Excess distributions carryover, if any, to 2007:				
a From 2002				
b From 2003				
c From 2004			1,198.	
d From 2005			2,274.	
e From 2006			1,779.	
f Total of lines 3a through e	5,251.			
4 Qualifying distributions for 2007 from Part XII, line 4: ▶ \$	52,845.			
a Applied to 2006, but not more than line 2a			0.	
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 2007 distributable amount				42,344.
e Remaining amount distributed out of corpus	10,501.			
5 Excess distributions carryover applied to 2007 (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	15,752.			
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 2006. Subtract line 4a from line 2a. Taxable amount - see instr.			0.	
f Undistributed income for 2007. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2008				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3)	0.			
8 Excess distributions carryover from 2002 not applied on line 5 or line 7	0.			
9 Excess distributions carryover to 2008. Subtract lines 7 and 8 from line 6a	15,752.			
10 Analysis of line 9:				
a Excess from 2003				
b Excess from 2004			1,198.	
c Excess from 2005			2,274.	
d Excess from 2006			1,779.	
e Excess from 2007			10,501.	

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 2007, 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) 2007	(b) 2006	(c) 2005	(d) 2004	
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 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).)

SEE STATEMENT 13

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. (see 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:

SEE STATEMENT 14

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
<i>a Paid during the year</i>				
SEE STATEMENT 15				
Total				▶ 3a 50,000.
<i>b Approved for future payment</i>				
NONE				
Total				▶ 3b 0.

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

Table with 5 main columns: (a) Business code, (b) Amount, (c) Exclusion code, (d) Amount, (e) Related or exempt function income. Rows include: 1 Program service revenue (a-f, g Fees and contracts from government agencies), 2 Membership dues and assessments, 3 Interest on savings and temporary cash investments (14, 2), 4 Dividends and interest from securities (14, 24,951), 5 Net rental income or (loss) from real estate (a Debt-financed property, b Not debt-financed property), 6 Net rental income or (loss) from personal property, 7 Other investment income (14, 182), 8 Gain or (loss) from sales of assets other than inventory (18, 77,352), 9 Net income or (loss) from special events, 10 Gross profit or (loss) from sales of inventory, 11 Other revenue (a-e), 12 Subtotal. Add columns (b), (d), and (e) (0, 102,487, 0), 13 Total. Add line 12, columns (b), (d), and (e) (13, 102,487).

(See worksheet in line 13 instructions to verify calculations.)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Table with 2 columns: Line No. (with a downward arrow icon), Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes). Multiple rows for explanation.

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...
a Transfers from the reporting foundation to a noncharitable exempt organization of:
(1) Cash
(2) Other assets
b Other transactions:
(1) Sales of assets to a noncharitable exempt organization
(2) Purchases of assets from a noncharitable exempt organization
(3) Rental of facilities, equipment, or other assets
(4) Reimbursement arrangements
(5) Loans or loan guarantees
(6) Performance of services or membership or fundraising solicitations
c Sharing of facilities, equipment, mailing lists, other assets, or paid employees
d If the answer to any of the above is "Yes," complete the following schedule...

Table with 4 columns: (a) Line no., (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements. Content includes 'N/A' in column (c).

2a Is the foundation 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 [X] No

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. Content includes 'N/A' in column (a).

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.

Signature and contact information section including fields for Signature of officer or trustee, Date, Title, Preparer's signature, Date, Check if self-employed, Preparer's SSN or PTIN, Firm's name (JOHNSON STONE & PAGANO, P.S.), address (1501 REGENTS BLVD., SUITE 100, FIRCREST, WA 98466), EIN, and Phone no. ((253) 566-7070).

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

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

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

OMB No. 1545-0047

2007

Name of organization

Employer identification number

DAN AND PAT NELSON FAMILY FOUNDATION

91-1939872

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)() (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**. (Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule-see instructions.)

General Rule-

For organizations filing Form 990, 990-EZ, or 990-PF that received, during the 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 Form 990-EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms. (Complete Parts I and II.)

For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate 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 received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than \$1,000. (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the Parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year.) ► \$ _____

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 they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 2 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).

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

Schedule B (Form 990, 990-EZ, or 990-PF) (2007)

Name of organization DAN AND PAT NELSON FAMILY FOUNDATION	Employer identification number 91-1939872
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Part I Contributors (See Specific Instructions.)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	DANIEL & PATRICIA NELSON <hr/> 5500 OLYMPIC DRIVE, SUITE A-105 <hr/> GIG HARBOR, WA 98335 <hr/>	\$ 258,275.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II if there is a noncash contribution.)
0	<hr/> <hr/> <hr/>	\$ _____	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization DAN AND PAT NELSON FAMILY FOUNDATION	Employer identification number 91-1939872
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Part II Noncash Property (See Specific Instructions.)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
1	7600 SHARES OF US BANK STOCK _____ _____ _____	\$ 258,275.	VARIOUS
_____	_____ _____ _____	\$ _____	_____
_____	_____ _____ _____	\$ _____	_____
_____	_____ _____ _____	\$ _____	_____
_____	_____ _____ _____	\$ _____	_____
_____	_____ _____ _____	\$ _____	_____
_____	_____ _____ _____	\$ _____	_____

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 11.35 SH AXA ENTERPRISE GOVT	P	06/02/06	05/03/07
b 122.807 SH SECS FUND CLASS C	P	VARIOUS	05/03/07
c 76.419 SH CALVERT INCOME C	P	VARIOUS	05/03/07
d 125 SH CHEVRON CORP	P	10/14/04	05/03/07
e 425 SH COLGATE PALMOLIVE CO	P	03/24/05	05/03/07
f 4600 SH US BANCORP DEL (NEW)	D	11/16/98	10/05/07
g 3000 SH US BANCORP DEL (NEW)	D	11/16/98	05/03/07
h 1480 SH US BANCORP DEL (NEW)	D	04/18/06	05/03/07
i 9.968 SH AXA ENTERPRISE GOVT	P	02/02/06	05/03/07
j 3662.674 SH SECS FUND CLASS C	P	VARIOUS	05/03/07
k 1848.068 SH CALVERT INCOME C	P	VARIOUS	VARIOUS
l 390 SH FED NATL MTGE ASSOC	P	11/21/02	10/02/07
m CAPITAL GAINS DIVIDENDS			
n			
o			

(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 140.		137.	3.
b 1,519.		1,515.	4.
c 1,285.		1,272.	13.
d 9,975.		6,761.	3,214.
e 28,717.		22,259.	6,458.
f 155,064.		154,445.	619.
g 103,168.		103,830.	<662.>
h 50,896.		45,066.	5,830.
i 123.		123.	0.
j 45,307.		44,866.	441.
k 31,066.		31,635.	<569.>
l 16,555.		19,895.	<3,340.>
m 65,341.			65,341.
n			
o			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69

(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than "-0-")
a			3.
b			4.
c			13.
d			3,214.
e			6,458.
f			619.
g			<662.>
h			5,830.
i			0.
j			441.
k			<569.>
l			<3,340.>
m			65,341.
n			
o			

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	77,352.
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

2007 DEPRECIATION AND AMORTIZATION REPORT

FORM 990-PF PAGE 1

990-PF

Asset No.	Description	Date Acquired	Method	Life	Line No.	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Current Year Deduction
1	COMPUTER	07/14/99	200DB	5.00	17	2,459.			2,459.	2,459.		0.
	* TOTAL 990-PF PG 1 DEPR					2,459.		0.	2,459.	2,459.	0.	0.

(D) - Asset disposed

* ITC, Section 179, Salvage, Bonus, Commercial Revitalization Deduction, GO Zone

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

SOURCE	AMOUNT
US BANK	2.
TOTAL TO FORM 990-PF, PART I, LINE 3, COLUMN A	2.

FORM 990-PF DIVIDENDS AND INTEREST FROM SECURITIES STATEMENT 2

SOURCE	GROSS AMOUNT	CAPITAL GAINS DIVIDENDS	COLUMN (A) AMOUNT
UBS FINANCIAL SERVICES	87,720.	65,341.	22,379.
UBS FINANCIAL SERVICES	2,572.	0.	2,572.
TOTAL TO FM 990-PF, PART I, LN 4	90,292.	65,341.	24,951.

FORM 990-PF OTHER INCOME STATEMENT 3

DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
MISCELLANEOUS INCOME	182.	182.	
TOTAL TO FORM 990-PF, PART I, LINE 11	182.	182.	

FORM 990-PF ACCOUNTING FEES STATEMENT 4

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
ACCOUNTING	2,050.	0.		2,050.
TO FORM 990-PF, PG 1, LN 16B	2,050.	0.		2,050.

FORM 990-PF TAXES STATEMENT 5

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
EXCISE TAXES	926.	926.		0.
FOREIGN TAXES	603.	603.		0.
TO FORM 990-PF, PG 1, LN 18	1,529.	1,529.		0.

FORM 990-PF OTHER EXPENSES STATEMENT 6

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
LICENSES	35.	0.		35.
DUES AND SUBSCRIPTIONS	540.	0.		540.
OFFICE EXPENSE	20.	0.		20.
INVESTMENT EXPENSES	3,730.	3,730.		0.
DONATIONS	200.	0.		200.
TO FORM 990-PF, PG 1, LN 23	4,525.	3,730.		795.

FORM 990-PF U.S. AND STATE/CITY GOVERNMENT OBLIGATIONS STATEMENT 7

DESCRIPTION	U.S. GOV'T	OTHER GOV'T	BOOK VALUE	FAIR MARKET VALUE
SEE ATTCHD SCH-US GOVT OBLIG	X		0.	0.
TOTAL U.S. GOVERNMENT OBLIGATIONS				
TOTAL STATE AND MUNICIPAL GOVERNMENT OBLIGATIONS				
TOTAL TO FORM 990-PF, PART II, LINE 10A			0.	0.

FORM 990-PF	CORPORATE STOCK	STATEMENT	8
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DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
SEE ATTCHD SCH-CORP STOCK	222,588.	241,590.
TOTAL TO FORM 990-PF, PART II, LINE 10B	222,588.	241,590.

FORM 990-PF	CORPORATE BONDS	STATEMENT	9
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DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
SEE ATTCHD SCH-CORP BONDS	39,979.	35,747.
TOTAL TO FORM 990-PF, PART II, LINE 10C	39,979.	35,747.

FORM 990-PF	OTHER INVESTMENTS	STATEMENT	10
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DESCRIPTION	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
SEE ATTCHD SCH-MUTUAL FUNDS	COST	719,600.	705,396.
TOTAL TO FORM 990-PF, PART II, LINE 13		719,600.	705,396.

FORM 990-PF	DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT	STATEMENT	11
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DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
COMPUTER	2,459.	2,459.	0.
TOTAL TO FM 990-PF, PART II, LN 14	2,459.	2,459.	0.

FORM 990-PF

LIST OF SUBSTANTIAL CONTRIBUTORS
PART VII-A, LINE 10

STATEMENT 12

NAME OF CONTRIBUTOR

ADDRESS

DAN & PAT NELSON

5500 OLYMPIC DRIVE A105-234, GIG HARBOR,
WA 98335

FORM 990-PF

PART XV - LINE 1A
LIST OF FOUNDATION MANAGERS

STATEMENT 13

NAME OF MANAGER

DAN NELSON
PAT NELSON

FORM 990-PF

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

STATEMENT 14

NAME AND ADDRESS OF PERSON TO WHOM APPLICATIONS SHOULD BE SUBMITTED

LORI ANN REEDER
2921 HORSEHEAD BAY DR NW
GIG HARBOR, WA 98335

TELEPHONE NUMBER

(253) 265-0088

FORM AND CONTENT OF APPLICATIONS

APPLICATIONS SHOULD BE SUBMITTED VIA LETTER FORMAT. BASIC DATA TO BE INCLUDED: (A) TAX EXEMPT STATUS (B) PURPOSE OF GRANT (C) AMOUNT OF FUNDS NEEDED

ANY SUBMISSION DEADLINES

JUNE 1 OF THE YEAR FOR WHICH THE GRANT IS REQUESTED

RESTRICTIONS AND LIMITATIONS ON AWARDS

MAXIMUM AWARD/GRANT IS \$5,000 IN THE CHARITABLE FIELDS OF ARTS, EDUCATION & HEALTHCARE WITH EMPHASIS ON PROGRAMS FOR YOUTH AND ELDERLY IN THE STATES OF WASHINGTON AND IDAHO.

FORM 990-PF

GRANTS AND CONTRIBUTIONS
PAID DURING THE YEAR

STATEMENT 15

RECIPIENT NAME AND ADDRESS	RECIPIENT RELATIONSHIP AND PURPOSE OF GRANT	RECIPIENT STATUS	AMOUNT
AMERICAN CANCER SOCIETY 1313 BROADWAY SUITE 100, TACOMA, WA 98402	NONE CAMP GOODTIMES WEST	PUBLIC CHARITY	5,000.
COMMUNITIES IN SCHOOLS PO BOX 684, VAUGHN, WA 98394	NONE MIDDLE SCHOOL TUTORING	PUBLIC CHARITY	5,000.
TACOMA LEARNING CENTER 6316 SOUTH 12TH STREET, TACOMA, WA 98405	NONE CHILD & FAMILY GUIDANCE	PUBLIC CHARITY CENTER	5,000.
TACOMA ART MUSEUM 1701 PACIFIC AVE, TACOMA, WA 98402	NONE COMMUNITY FESTIVALS	PUBLIC CHARITY	5,000.
THE ZOO SOCIETY 5400 N PEARL STREET, TACOMA, WA 98407	NONE LOW INCOME SCHOLARSHIP FUND	PUBLIC CHARITY	5,000.
WERLIN READING 4302 N 13TH STREET, TACOMA, WA 98406	NONE LITERACY TUTORING PROGRAM	PUBLIC CHARITY	5,000.
CHILDREN'S MUSEUM OF TACOMA 936 BROADWAY, TACOMA, WA 98402	NONE THE LEARNING LOUNGE	PUBLIC CHARITY	5,000.
FRANK TOBEY JONES 5340 NORTH BRISTOL , TACOMA, WA 98407	NONE SENIOR CENTER	PUBLIC CHARITY	5,000.

GIG HARBOR PENINSULA HISTORICAL SOCIETY PO BOX 744, GIG HARBOR, WA 98335	NONE HARBOR HISTORY MUSEUM	PUBLIC CHARITY	5,000.
YMCA TACOMA-PIERCE COUNTY 1002 S PEARL, TACOMA, WA 98465	NONE CAMP SEMOUR WATER TANKS	PUBLIC CHARITY	5,000.
TOTAL TO FORM 990-PF, PART XV, LINE 3A			<u>50,000.</u>