

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

2006

Department of the Treasury
Internal Revenue Service

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

For calendar year 2006, 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 ARCUS FOUNDATION Number and street (or P.O. box number if mail is not delivered to street address) Room/suite 402 EAST MICHIGAN AVENUE City or town, state, and ZIP code KALAMAZOO, MI 49007	A Employer identification number 38-3332791 B Telephone number 269-373-4373
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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)
 ▶ \$ **122,470,165.**

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

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				
1 Contributions, gifts, grants, etc., received	68,648,374.		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	2,419,478.	2,419,478.		STATEMENT 2
4 Dividends and interest from securities	307,203.	307,203.		STATEMENT 3
5a Gross rents	29,058.	29,058.		STATEMENT 4
b Net rental income or (loss)	29,058.			
6a Net gain or (loss) from sale of assets not on line 10	4,714,092.			STATEMENT 1
b Gross sales price for all assets on line 6a	101860995.			
7 Capital gain net income (from Part IV, line 2)		101833041.		
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	76,118,205.	104588780.		
Operating and Administrative Expenses				
13 Compensation of officers, directors, trustees, etc.	222,658.	11,133.		211,525.
14 Other employee salaries and wages	742,140.	37,107.		661,666.
15 Pension plans, employee benefits	197,844.	9,892.		183,651.
16a Legal fees STMT 5	108,733.	0.		112,199.
b Accounting fees STMT 6	65,859.	0.		63,512.
c Other professional fees STMT 7	357,868.	0.		371,315.
17 Interest	59,157.	0.		0.
18 Taxes STMT 8	2,105,000.	0.		0.
19 Depreciation and depletion	169,348.	0.		
20 Occupancy	89,618.	4,481.		85,137.
21 Travel, conferences, and meetings	166,646.	8,332.		167,825.
22 Printing and publications	50,530.	0.		51,740.
23 Other expenses STMT 9	260,466.	5,691.		228,581.
24 Total operating and administrative expenses. Add lines 13 through 23	4,595,867.	76,636.		2,137,151.
25 Contributions, gifts, grants paid	18,989,558.			16,834,443.
26 Total expenses and disbursements. Add lines 24 and 25	23,585,425.	76,636.		18,971,594.
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	52,532,780.			
b Net investment income (if negative, enter -0-)		104512144.		
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			1,000.	1,000.
	2	Savings and temporary cash investments			85,138,295.	85,138,295.
	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		3,642.	30,786.	30,786.
	10a	Investments - U.S. and state government obligations				
	b	Investments - corporate stock	STMT 11	69,220,030.	33,446,314.	33,446,314.
	c	Investments - corporate bonds				
Liabilities	11	Investments - land, buildings, and equipment: basis				
		Less: accumulated depreciation				
	12	Investments - mortgage loans				
	13	Investments - other				
	14	Land, buildings, and equipment: basis	3,488,216.			
		Less: accumulated depreciation	STMT 12	243,824.	3,098,138.	3,244,392.
	15	Other assets (describe)	STATEMENT 13	505,910.	609,378.	609,378.
	16	Total assets (to be completed by all filers)		72,827,720.	122,470,165.	122,470,165.
	17	Accounts payable and accrued expenses		95,463.	150,256.	
	18	Grants payable		10,067,688.	12,204,218.	
Net Assets or Fund Balances	19	Deferred revenue				
	20	Loans from officers, directors, trustees, and other disqualified persons				
	21	Mortgages and other notes payable				
	22	Other liabilities (describe)	STATEMENT 14	7,019,057.	915,371.	
	23	Total liabilities (add lines 17 through 22)		17,182,208.	13,269,845.	
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.					
	24	Unrestricted		55,645,512.	109,200,320.	
	25	Temporarily restricted				
	26	Permanently restricted				
	Foundations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 31.					
	27	Capital stock, trust principal, or current funds				
	28	Paid-in or capital surplus, or land, bldg., and equipment fund				
29	Retained earnings, accumulated income, endowment, or other funds					
30	Total net assets or fund balances		55,645,512.	109,200,320.		
31	Total liabilities and net assets/fund balances		72,827,720.	122,470,165.		

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	55,645,512.
2	Enter amount from Part I, line 27a	2	52,532,780.
3	Other increases not included in line 2 (itemize)	3	SEE STATEMENT 10
4	Add lines 1, 2, and 3	4	109,200,320.
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	109,200,320.

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 SEE ATTACHMENT A	D		
b			
c			
d			
e			

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a 101,860,995.		27,954.	101,833,041.
b			
c			
d			
e			

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			101,833,041.
b			
c			
d			
e			

2 Capital gain net income or (net capital loss). { If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }	2	101,833,041.
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))
2005	17,852,484.	61,516,776.	.290205
2004	32,375,336.	43,183,127.	.749722
2003	5,878,400.	25,844,746.	.227450
2002	3,798,652.	10,621,777.	.357629
2001	3,986,268.	13,671,473.	.291576

2 Total of line 1, column (d)	2	1.916582
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	.383316
4 Enter the net value of noncharitable-use assets for 2006 from Part X, line 5	4	115,644,185.
5 Multiply line 4 by line 3	5	44,328,266.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	1,045,121.
7 Add lines 5 and 6	7	45,373,387.
8 Enter qualifying distributions from Part XII, line 4	8	18,971,594.

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 type="checkbox"/> and enter 1% of Part I, line 27b		1	2,090,243.
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	2,090,243.
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	2,090,243.
6 Credits/Payments:			
a 2006 estimated tax payments and 2005 overpayment credited to 2006	6a	1,855,393.	
b Exempt foreign organizations - tax withheld at source	6b		
c Tax paid with application for extension of time to file (Form 8868)	6c	250,000.	
d Backup withholding erroneously withheld	6d		
7 Total credits and payments. Add lines 6a through 6d	7	2,105,393.	
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	15,150.	
11 Enter the amount of line 10 to be: Credited to 2007 estimated tax <input type="checkbox"/> 15,150. Refunded <input type="checkbox"/>	11	0.	

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
1b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see 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 foundation in connection with the activities.		X
1c Did the foundation file Form 1120-POL for this year?		X
2 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 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities.		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes	X	
4a Did the foundation 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?	N/A	
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 foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col. (c), and Part XV.	X	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) <input type="checkbox"/> MI, NY		
b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? If "No," attach explanation	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2006 or the taxable year beginning in 2006 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses.		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)			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?		N/A	
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract?			X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Web site address ► WWW.ARCUSFOUNDATION.ORG	X		
14	The books are in care of ► THE FOUNDATION Telephone no. ► 212-488-3000 Located at ► 119 WEST 24TH STREET 9TH FL, NEW YORK, NY ZIP+4 ► 10011			
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
(4)	Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input checked="" type="checkbox"/> Yes <input 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)? Organizations relying on a current notice regarding disaster assistance check here <input type="checkbox"/>		X
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 2006?		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 2006, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2006? <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		
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 2006 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 2006.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
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 2006?		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

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

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

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
If you answered "Yes" to 6a, 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
N/A

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
JON L. STRYKER 402 EAST MICHIGAN AVENUE KALAMAZOO, MI 49007	PRESIDENT 35.00	0.	0.	0.
DANIEL SCHWARTZ 402 EAST MICHIGAN AVENUE KALAMAZOO, MI 49007	BOARD MEMBER 10.00	0.	0.	0.
URVASHI VAID 402 EAST MICHIGAN AVENUE KALAMAZOO, MI 49007	EXECUTIVE DIRECTOR 40.00	222,658.	40,654.	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
JEFFREY ARNSTEIN 402 E. MICH. AVE, KALAMAZOO, MI 49007	CHIEF FINANCIAL OFFICER 40.00	151,977.	25,275.	
LINDA MAY 402 E. MICH. AVE, KALAMAZOO, MI 49007	ASSOCIATE DIRECTOR 40.00	113,948.	21,817.	
SARAH HANSEN 402 E. MICH. AVE, KALAMAZOO, MI 49007	SENIOR FELLOW 24.00	64,962.	7,574.	
CAROL SNAPP 402 E. MICH. AVE, KALAMAZOO, MI 49007	PROG. AND COMM. OFFICER 40.00	55,996.	19,338.	

Total number of other employees paid over \$50,000 0

