

Return of Organization Exempt From Income Tax

2002

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2002 calendar year, or tax year period beginning and ending

B Check if applicable:
 Address change
 Name change
 Initial return
 Final return
 Amended return
 Application pending

C Name of organization: **Stairstep Foundation**
 Number and street (or P O box if mail is not delivered to street address): **1404 14th Avenue North**
 City or town state or country, and ZIP + 4: **Minneapolis, MN 55411**

D Employer identification number: **41-1709346**

E Telephone number: **(612) 521-3110**

F Accounting method: Cash Accrual
 Other (specify) _____

G Web site: **N/A**

J Organization type (check only one) 501(c) (3) (insert no) 4947(a)(1) or 527

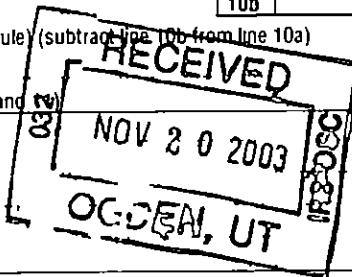
K Check here if the organization's gross receipts are normally not more than \$25 000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12: **768,376.**

H and I are not applicable to section 527 organizations
H(a) Is this a group return for affiliates? Yes No
H(b) If "Yes" enter number of affiliates: _____
H(c) Are all affiliates included? **N/A** Yes No (if "No," attach a list)
H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No
I Enter 4-digit GEN: _____
M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1 Contributions, gifts, grants, and similar amounts received				
	a Direct public support	1a	768,376.		
	b Indirect public support	1b			
	c Government contributions (grants)	1c			
	d Total (add lines 1a through 1c) (cash \$ <u>768,376.</u> noncash \$ _____)	1d		768,376.	
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2			
	3 Membership dues and assessments	3			
	4 Interest on savings and temporary cash investments	4			
	5 Dividends and interest from securities	5			
	6 a Gross rents	6a			
	b Less rental expenses	6b			
	c Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7 Other investment income (describe _____)	7				
Revenue	8 a Gross amount from sale of assets other than inventory	(A) Securities		(B) Other	
	b Less cost or other basis and sales expenses	8a			
	c Gain or (loss) (attach schedule)	8b			
	d Net gain or (loss) (combine line 8c, columns (A) and (B))	8c			8d
Revenue	9 Special events and activities (attach schedule)				
	a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a			
	b Less direct expenses other than fundraising expenses	9b			
c Net income or (loss) from special events (subtract line 9b from line 9a)	9c				
Revenue	10 a Gross sales of inventory, less returns and allowances	10a			
	b Less cost of goods sold	10b			
	c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			
	11 Other revenue (from Part VII, line 103)	11			
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	768,376.		
Expenses	13 Program services (from line 44, column (B))	13	627,602.		
	14 Management and general (from line 44, column (C))	14	144,846.		
	15 Fundraising (from line 44, column (D))	15			
	16 Payments to affiliates (attach schedule)	16			
	17 Total expenses (add lines 13 and 14, column (A))	17	772,448.		
	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18	<4,072.>		
Net Assets	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	1,528,362.		
	20 Other changes in net assets or fund balances (attach explanation)	20	0.		
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	1,524,290.		



SCANNED DEC 09 '03

Part II Statement of Functional Expenses All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others Page 2

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule)				
	cash \$ _____ noncash \$ _____				
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc	81,196.	73,076.	8,120.	0.
26	Other salaries and wages	324,643.	295,564.	29,079.	
27	Pension plan contributions	6,310.	5,732.	578.	
28	Other employee benefits	56,465.	52,854.	3,611.	
29	Payroll taxes	30,425.	28,200.	2,225.	
30	Professional fundraising fees				
31	Accounting fees	22,370.	17,896.	4,474.	
32	Legal fees				
33	Supplies	9,856.	2,498.	7,358.	
34	Telephone	11,853.	157.	11,696.	
35	Postage and shipping	2,050.	517.	1,533.	
36	Occupancy	10,072.	909.	9,163.	
37	Equipment rental and maintenance				
38	Printing and publications	8,204.	1,351.	6,853.	
39	Travel	8,756.	2,130.	6,626.	
40	Conferences, conventions and meetings	6,361.	5,055.	1,306.	
41	Interest	13,605.		13,605.	
42	Depreciation, depletion, etc (attach schedule)	14,084.		14,084.	
43	Other expenses not covered above (itemize)				
a	_____				
b	_____				
c	_____				
d	_____				
e	See Statement 1	166,198.	141,663.	24,535.	
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D) carry these totals to lines 13-15	772,448.	627,602.	144,846.	0.

Joint Costs Check if you are following SOP 98-2
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____,
 (iii) the amount allocated to Management and general \$ _____, and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? ▶	Program Service Expenses (Required for 501(c)(3) and (4) orgs and 4947(a)(1) trusts but optional for others)
See Statement 2	
a See Statement 3	
(Grants and allocations \$ _____)	24,691.
b Economic Development - This program recognizes ideas and funds strategies that strengthen the African American business community. The program maintains a small business chamber of commerce.	
(Grants and allocations \$ _____)	253,204.
c See Statement 4	
(Grants and allocations \$ _____)	281,832.
d Sankofa - This program creates written and visual catalog of community events. This creates a history of information which is available for community viewing.	
(Grants and allocations \$ _____)	67,875.
e Other program services (attach schedule) Statement 5	
(Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B) Program services)	627,602.

Part IV Balance Sheets

Note		(A)		(B)		
Where required, attached schedules and amounts within the description column should be for end-of-year amounts only		Beginning of year		End of year		
Assets	45	Cash - non-interest-bearing	7,617.	45	44,779.	
	46	Savings and temporary cash investments	13,820.	46	271.	
	47 a	Accounts receivable	47a			
	b	Less allowance for doubtful accounts	47b	47c		
	48 a	Pledges receivable	48a	12,436.		
	b	Less allowance for doubtful accounts	48b			
	49	Grants receivable		49		
	50	Receivables from officers, directors, trustees and key employees		50		
	51 a	Other notes and loans receivable	51a	300,000.		
	b	Less allowance for doubtful accounts	51b			
	52	Inventories for sale or use		52		
	53	Prepaid expenses and deferred charges		11,360.	53	13,130.
	54	Investments - securities Stmt 6		<input checked="" type="checkbox"/> Cost <input type="checkbox"/> FMV	54	2,643,125.
	55 a	Investments - land, buildings, and equipment basis	55a			
	b	Less accumulated depreciation	55b		55c	
56	Investments - other			56		
57 a	Land, buildings, and equipment basis	57a	234,914.			
b	Less accumulated depreciation Stmt 7	57b	145,106.			
58	Other assets (describe ▶)			58		
59	Total assets (add lines 45 through 58) (must equal line 74)		2,744,690.	59	3,103,549.	
Liabilities	60	Accounts payable and accrued expenses	16,328.	60	68,259.	
	61	Grants payable		61		
	62	Deferred revenue		62		
	63	Loans from officers, directors, trustees, and key employees		63		
	64 a	Tax-exempt bond liabilities		64a		
	b	Mortgages and other notes payable Stmt 8		1,200,000.	64b	1,511,000.
65	Other liabilities (describe ▶)			65		
66	Total liabilities (add lines 60 through 65)		1,216,328.	66	1,579,259.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74					
	67	Unrestricted	1,528,362.	67	1,524,290.	
	68	Temporarily restricted		68		
	69	Permanently restricted		69		
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74					
	70	Capital stock, trust principal or current funds		70		
	71	Paid-in or capital surplus, or land, building, and equipment fund		71		
	72	Retained earnings, endowment, accumulated income, or other funds		72		
73	Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19 column (B) must equal line 21)		1,528,362.	73	1,524,290.	
74	Total liabilities and net assets / fund balances (add lines 66 and 73)		2,744,690.	74	3,103,549.	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes in Part III the organization's programs and accomplishments.

Part VI Other Information		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A		
79	Was there a liquidation, dissolution, termination or substantial contraction during the year? If "Yes," attach a statement		X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?		X
b	If "Yes," enter the name of the organization <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81 a	Enter direct or indirect political expenditures. See line 81 instructions 81a 0.		
b	Did the organization file Form 1120-POL for this year?		X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III) 82b N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions? N/A		
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A		
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members? N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
c	Dues, assessments, and similar amounts from members 85c N/A		
d	Section 162(e) lobbying and political expenditures 85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A		
86	501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12 86a N/A		
b	Gross receipts included on line 12, for public use of club facilities 86b N/A		
87	501(c)(12) organizations Enter a Gross income from members or shareholders 87a N/A		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) 87b N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
89 a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <input type="checkbox"/> 0., section 4912 <input type="checkbox"/> 0., section 4955 <input type="checkbox"/> 0.		
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955 and 4958 0.		
d	Enter Amount of tax on line 89c above, reimbursed by the organization 0.		
90 a	List the states with which a copy of this return is filed <input type="checkbox"/> Minnesota		
b	Number of employees employed in the pay period that includes March 12, 2002 90b 8		
91	The books are in care of <input type="checkbox"/> Lee Financial Group Telephone no <input type="checkbox"/> 763-249-8840		
Located at <input type="checkbox"/> 15805 Holdridge Rd E, Wayzata, MN ZIP + 4 <input type="checkbox"/> 55391			
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year 92 N/A		

Part VII Analysis of Income-Producing Activities (See page 31 of the instructions)

	Unrelated business income			Excluded by section 512 513 or 514	(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
Note Enter gross amounts unless otherwise indicated					
93 Program service revenue					
a Social Spaces					
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a					
b					
c					
d					
e					
104 Subtotal (add columns (B) (D), and (E))		0.		0.	0.
105 Total (add line 104, columns (B), (D), and (E))					0.

Note Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 32 of the instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93	Revenues generated from the cultrual activities associated with increased awareness of music, dance, art and history of African Americans.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 32 of the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with

- (a) Did the organization, during the year receive any funds, directly or indirectly from a disqualified person?
 - (b) Did the organization, during the year, pay premiums directly or indirectly, on a contract described in section 501(c)(17)(B)(ii) for a disqualified person?
- Note** If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

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 officer) is based on all information furnished to him.

Please Sign Here: Signature of officer Date

Paid Preparer's Use Only: Preparer's signature: Firm's name (or yours if self-employed) address and ZIP + 4: Lee Financial Group, 15805 Holdridge Rd E., Wayzata, MN 55391-2145

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2002

Name of the organization

Stairstep Foundation

Employer identification number

41 1709346

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 1 of the instructions List each one If there are 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 & deferred compensation	(e) Expense account and other allowances
Alfred Babington Johnson ----- 1404 14th Avenue North, Mpls, Mn, 55411	President/CEO all	81,196.		
Menia Buckner ----- 1404 14th Avenue North, Mpls, Mn, 55411	Admin Asst all	50,192.		
----- ----- -----				
----- ----- -----				
----- ----- -----				
Total number of other employees paid over \$50,000 ▶	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None")

(a) Name and address of each independent contractor 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 III Statements About Activities (See page 2 of the instructions)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line 1 of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes " must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions) See Statement 10		
a Sale, exchange, or leasing of property?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? See Part V, Form 990	X	
e Transfer of any part of its income or assets?		X
3 Does the organization make grants for scholarships, fellowships, student loans, etc.? (See Note below)		X
4 Do you have a section 403(b) annuity plan for your employees?		X
Note: Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.		

Part IV Reason for Non-Private Foundation Status (See pages 3 through 5 of the instructions)

The organization is not a private foundation because it is: (Please check only ONE applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i)
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state: _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the Support Schedule in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
- 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the Support Schedule in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 5 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) Use cash method of accounting
 Note You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
15 Gifts, grants and contributions received (Do not include unusual grants. See line 28.)				593,677.	593,677.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975				3,651.	3,651.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.			See Statement 11	3,366.	3,366.
23 Total of lines 15 through 22	0.	0.	0.	600,694.	600,694.
24 Line 23 minus line 17				600,694.	600,694.
25 Enter 1% of line 23				6,007.	
26 Organizations described on lines 10 or 11	a Enter 2% of amount in column (e), line 24				26a 12,014.
	b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the sum of all these excess amounts.				26b 0.
	c Total support for section 509(a)(1) test. Enter line 24, column (e).				26c 600,694.
	d Add Amounts from column (e) for lines	18 3,651.	19		26d 7,017.
		22 3,366.	26b		26e 593,677.
	e Public support (line 26c minus line 26d total)				26f 98.8319%
	f Public support percentage (line 26e (numerator) divided by line 26c (denominator))				
27 Organizations described on line 12	a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year.				N/A
	(2001)	(2000)	(1999)	(1998)	
	b For any amount included in line 17 that was received from each person (other than "disqualified persons") prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (include in the list organizations described in lines 5 through 11 as well as individuals). Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2) enter the sum of these differences (the excess amounts) for each year.				N/A
	(2001)	(2000)	(1999)	(1998)	
	c Add Amounts from column (e) for lines	15	16		27c N/A
		17	20	21	27d N/A
	d Add Line 27a total and line 27b total				27e N/A
	e Public support (line 27c total minus line 27d total)				
	f Total support for section 509(a)(2) test. Enter amount on line 23, column (e).				27f N/A
	g Public support percentage (line 27e (numerator) divided by line 27f (denominator))				27g N/A %
	h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))				27h N/A %

28 Unusual Grants For an organization described in line 10, 11 or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show for each year the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

None

Part V Private School Questionnaire (See page 7 of the instructions)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes " please describe, if "No," please explain (If you need more space attach a separate statement)		
<hr/>			
<hr/>			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)	32d	
<hr/>			
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)	33h	
<hr/>			
<hr/>			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No " attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check a if the organization belongs to an affiliated group Check b if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		N/A	
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount Enter the amount from the following table -	41	
If the amount on line 40 is - The lobbying nontaxable amount is -			
Not over \$500,000 20% of the amount on line 40			
Over \$500,000 but not over \$1,000,000 \$100,000 plus 15% of the excess over \$500,000			
Over \$1,000,000 but not over \$1,500,000 \$175,000 plus 10% of the excess over \$1,000,000			
Over \$1,500,000 but not over \$17,000,000 \$225,000 plus 5% of the excess over \$1,500,000			
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

Caution If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A (e) Total
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	
45	Lobbying nontaxable amount				0.
46	Lobbying ceiling amount (150% of line 45(e))				0.
47	Total lobbying expenditures				0.
48	Grassroots nontaxable amount				0.
49	Grassroots ceiling amount (150% of line 48(e))				0.
50	Grassroots lobbying expenditures				0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions)

N/A

During the year did the organization attempt to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (Add lines c through h)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

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	Amount Of Depreciation
	Management and General											
1	Business Assets	Varies	SL	#####	16	215,979.			215,979.	131,022.		14,084.
	* 990 Page 2 Total					215,979.		0.	215,979.	131,022.	0.	14,084.
	Management and General											
	* Grand Total 990 Page					215,979.		0.	215,979.	131,022.	0.	14,084.
	2 Depr											

Form 990	Other Expenses			Statement 1
Description	(A) Total	(B) Program Services	(C) Management and General	(D) Fundraising
Staff Development	709.	333.	376.	
Insurance	5,010.	3,077.	1,933.	
Grants Awarded	2,700.	1,682.	1,018.	
Miscellaneous	22,889.	19,010.	3,879.	
Professional Fees	133,588.	117,561.	16,027.	
Community Action	81.		81.	
Dues & Memberships	1,221.		1,221.	
Bad Debts	0.			
Total to Fm 990, ln 43	166,198.	141,663.	24,535.	

Form 990	Statement of Organization's Primary Exempt Purpose Part III	Statement 2
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Explanation

The organizations purpose is to reinforce community values, encourage community building, provide community value & community building programs.

Form 990 Statement of Program Service Accomplishments Statement 3

Description of Program Service One

Social Spaces - This program develops community activities that introduces arts, music, dance and culture of the people of African -American decent. The program builds a community unity and a sense of history.

	Grants	Expenses
To Form 990, Part III, line a		24,691.

Form 990 Statement of Program Service Accomplishments Statement 4

Description of Program Service Three

Community Reclamation Project - This program works in conjunction with community churches to bring young men & women out of gangs by providing an alternative to gang activity so the youth can become an example of life after gang activity.

	Grants	Expenses
To Form 990, Part III, line c		281,832.

Form 990 Other Program Services Statement 5

Description	Grants and Allocations	Expenses
Other Programs		
Total to Form 990, Part III, line e		

Form 990 Non-Government Securities Statement 6

Security Description	Corporate Stocks	Corporate Bonds	Other Publicly Traded Securities	Other Securities	Total Non-Gov't Securities
Long Term Investment in stock	2,643,125.				2,643,125.
To 990, in 54 Col B	2,643,125.				2,643,125.

Form 990 Depreciation of Assets Not Held for Investment Statement 7

Description	Cost or Other Basis	Accumulated Depreciation	Book Value
Business Assets	215,979.	145,106.	70,873.
Total to Form 990, Part IV, in 57	215,979.	145,106.	70,873.

Form 990 Other Notes and Loans Payable Statement 8

Lender's Name Terms of Repayment
 Wallestad Foundation balloon

<u>Date of Note</u>	<u>Maturity Date</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>
01/28/02	07/31/03	300,000.	6.00%

Security Provided by Borrower Purpose of Loan
 None working capital

Relationship of Lender
 None

<u>Description of Consideration</u>	<u>FMV of Consideration</u>	<u>Balance Due</u>
	0.	311,000.

Lender's Name Terms of Repayment
 U.S. Bancorp

<u>Date of Note</u>	<u>Maturity Date</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>
04/26/01		0.	.00%

Security Provided by Borrower Purpose of Loan
 None

Relationship of Lender
 None

<u>Description of Consideration</u>	<u>FMV of Consideration</u>	<u>Balance Due</u>
	0.	1,200,000.

Total included on Form 990, Part IV, line 64, Column B 1,511,000.

Form 990

Part V - List of Officers, Directors,
Trustees and Key Employees

Statement 9

Name and Address	Title and Avg Hrs/Wk	Compen- sation	Employee Ben Plan Contrib	Expense Account
Alfred Babington Johnson 1404 14th Avenue North, Mpls,Mn,55411	President 40 hrs/wk	81,196.	0.	0.
Ezell Jones 4500 Park Glen Road, Mpls,Mn,55416	Board Member 2 hrs/month	0.	0.	0.
Dr. John Taborn 1111 3rd Ave,Suite 12,Mpls,Mn,55404	Secretary 2 hrs/month	0.	0.	0.
Dr. Yvonne Cheek-Cook 4329 Oakland Ave S.,Mpls,Mn,55407	Board Member 2 hrs/month	0.	0.	0.
William Collins 198 N. Western Ave,St.Paul,Mn,55102	Treasurer 2 hrs/month	0.	0.	0.
Glenn Beecham 400 Selby Ave,St.Paul,Mn,55102	Chairperson 2 hrs/month	0.	0.	0.
CeLois Steele 200 S. 6th Street,Mpls,MN,55402	Board Member 2 hrs/month	0.	0.	0.
Mahmoud El-Kati P.O.Box 4605,St.Paul,Mn,55104	Board Member 2 hrs/month	0.	0.	0.
Dr. Beverly Oliver Hawkins 430 N. Dale St,St.Paul,Mn,55103	Board Member 2 hrs/month	0.	0.	0.
Cora McCorvey 1011 Washington Ave N,Mpls,Mn,55401	Vice Chair 2 hrs/month	0.	0.	0.
Totals Included on Form 990, Part V		81,196.	0.	0.

Schedule A Statement Regarding Activities with Statement 10
 Substantial Contributors, Trustees, Directors,
 Creators, Key Employees, Etc.,
 Part III, Line 2

See Part V, Form 990: Compensation of Officer Alfred Babington Johnson

Schedule A Other Income Statement 11

Description	2001 Amount	2000 Amount	1999 Amount	1998 Amount
Other Income	0.	0.	0.	3,366.
Total to Schedule A, line 22	0.	0.	0.	3,366.

* If you are filing for an ADDITIONAL (NOT AUTOMATIC) 3 MONTH EXTENSION COMPLETE ONLY PART II and check this box

NOTE ONLY COMPLETE PART II IF YOU HAVE ALREADY BEEN GRANTED AN AUTOMATIC 3 MONTH EXTENSION ON A PREVIOUSLY FILED FORM 8868

* If you are filing for an AUTOMATIC 3-MONTH EXTENSION, COMPLETE ONLY PART I (on page 1)

PART II ADDITIONAL (NOT AUTOMATIC) 3-MONTH EXTENSION OF TIME - MUST FILE ORIGINAL AND ONE COPY

TYPE OR PRINT	Name of Exempt Organization Stairstep Foundation	EMPLOYER IDENTIFICATION NUMBER 41-1709346
	Number, street, and room or suite no. If a P O box, see instructions 1000 Humboldt Ave. North	
File by the extended due date for filing the return See instructions	City town or post office state and ZIP code For a foreign address, see instructions Minneapolis, MN 55411	

CHECK TYPE OF RETURN TO BE FILED (File a separate application for each return)

Form 990 Form 990-EZ Form 990-T (sec 401(a) or 408(a) trust) Form 1041-A Form 5227 Form 8870

Form 990-BL Form 990-PF Form 990-T (trust other than above) Form 4720 Form 6069

STOP DO NOT COMPLETE PART II IF YOU WERE NOT ALREADY GRANTED AN AUTOMATIC 3 MONTH EXTENSION ON A PREVIOUSLY FILED FORM 8868

* If the organization does NOT have an office or place of business in the United States, check this box

* If this is for a GROUP RETURN, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the WHOLE group, check this box If it is for PART of the group, check this box and attach a list with the names and EINs of all members the extension is for

4 I request an additional 3-month extension of time until November 15th

5 For calendar year 2003, or other tax year beginning _____ and ending _____

6 If this tax year is for less than 12 months, check reason Initial return Final return Change in accounting period

7 State in detail why you need the extension Organization requires additional time to gather data necessary to file a true and accurate return

8 a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions \$ _____ 0

b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ _____ 0

c BALANCE DUE Subtract line 8b from line 8a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ _____ 0

SIGNATURE AND VERIFICATION

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true correct and complete and that I am authorized to prepare this form

Signature  Title Accountant Date 8/14/2003

NOTICE TO APPLICANT-TO BE COMPLETED BY THE IRS

We HAVE approved this application Please attach this form to the organization's return

We HAVE NOT approved this application However we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions) This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return Please attach this form to the organization's return

We HAVE NOT approved this application After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file We are not granting a 10-day grace period

We CANNOT CONSIDER this application because it was filed after the due date of the return for which an extension was requested

Other _____

Director _____ By _____ Date AUG 25 2003

ALTERNATE MAILING ADDRESS - Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above

TYPE OR PRINT	NAME <u>Jerry Lee - Lee Financial Group</u>
	NUMBER AND STREET (INCLUDE SUITE, ROOM OR APT NO) OR A P O BOX NUMBER <u>3735 Lakeland Ave N STE-120</u>
	CITY OR TOWN PROVINCE OR STATE AND COUNTRY (INCLUDING POSTAL OR ZIP CODE) <u>Robbinsdale, MN 55422</u>