

**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

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 _____ **, 2007, and ending** _____

G Check all that apply:		<input type="checkbox"/> Initial return	<input type="checkbox"/> Final return	<input type="checkbox"/> Amended return	<input type="checkbox"/> Address change	<input type="checkbox"/> Name change
Use the IRS label. Otherwise, print or type. See Specific Instructions.	THE RAY CHARLES FOUNDATION 2107 WEST WASHINGTON BLVD. LOS ANGELES, CA 90018				A Employer identification number 95-4047622	
					B Telephone number (see the instructions) (323) 737-8000	
					C If exemption application is pending, check here <input type="checkbox"/>	
					D 1 Foreign organizations, check here <input type="checkbox"/> 2 Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>	
H Check type of organization: <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation						
I Fair market value of all assets at end of year (from Part II, column (c), line 16) ▶ \$ 49,462,281.			J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____ <i>(Part I, column (d) must be on cash basis.)</i>		E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/> F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>	

	(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 <i>(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see the instructions).)</i>				
REVENUE				
1 Contributions, gifts, grants, etc. received (att sch)				
2 Ck ▶ <input checked="" type="checkbox"/> if the foundn is not req to att Sch B				
3 Interest on savings and temporary cash investments	213,586.	213,586.	213,586.	
4 Dividends and interest from securities	1,711,642.	1,711,642.	1,711,642.	
5a Gross rents				
b Net rental income or (loss)				
6a Net gain/(loss) from sale of assets not on line 10				
b Gross sales price for all assets on line 6a				
7 Capital gain net income (from Part IV, line 2)				
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/(loss) (att sch)				
11 Other income (attach schedule) SEE STATEMENT 1	1,451,782.			
12 Total. Add lines 1 through 11	3,377,010.	1,925,228.	1,925,228.	
ADMINISTRATIVE AND EXPENSES				
13 Compensation of officers, directors, trustees, etc.	0.			
14 Other employee salaries and wages				
15 Pension plans, employee benefits				
16a Legal fees (attach schedule) SEE ST. 2	26,110.	26,110.	26,110.	
b Accounting fees (attach sch) SEE ST. 3	103,221.	103,221.	103,221.	
c Other prof fees (attach sch)				
17 Interest				
18 Taxes (attach schedule) SEE STMT. 4	27,335.	27,335.	27,335.	
19 Depreciation (attach sch) and depletion				
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications				
23 Other expenses (attach schedule) SEE STATEMENT 5	11,399.	11,399.	11,399.	
24 Total operating and administrative expenses. Add lines 13 through 23	168,065.	168,065.	168,065.	
25 Contributions, gifts, grants paid PART. XV	1,077,472.			1,077,472.
26 Total expenses and disbursements. Add lines 24 and 25	1,245,537.	168,065.	168,065.	1,077,472.
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	2,131,473.			
b Net investment income (if negative, enter -0-)		1,757,163.		
c Adjusted net income (if negative, enter -0-)			1,757,163.	

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)			
		Beginning of year	End of year		
		(a) Book Value	(b) Book Value	(c) Fair Market Value	
ASSETS	1	Cash — non-interest-bearing.....	7,671,476.	100.	100.
	2	Savings and temporary cash investments.....	1,860,933.	7,026,533.	7,026,533.
	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 (attach schedule) (see the instructions).....			
	7	Other notes and loans receivable (attach sch.) ▶			
		Less: allowance for doubtful accounts ▶			
	8	Inventories for sale or use.....			
	9	Prepaid expenses and deferred charges.....		17,052.	17,052.
	10a	Investments — U.S. and state government obligations (attach schedule).....	33,762,942.	33,893,473.	33,893,473.
	b	Investments — corporate stock (attach schedule).....	2,188,889.	2,188,889.	2,188,889.
	c	Investments — corporate bonds (attach schedule).....			
	11	Investments — land, buildings, and equipment: basis..... ▶ 8,839,501.			
	Less: accumulated depreciation (attach schedule)..... SEE STMT. 6. ▶ 2,503,267.	6,336,235.	6,336,234.	6,336,234.	
12	Investments — mortgage loans.....				
13	Investments — other (attach schedule).....				
14	Land, buildings, and equipment: basis. ▶				
	Less: accumulated depreciation (attach schedule)..... ▶				
15	Other assets (describe ▶.....)				
16	Total assets (to be completed by all filers — see instructions. Also, see page 1, item I).....	51,820,475.	49,462,281.	49,462,281.	
LIABILITIES	17	Accounts payable and accrued expenses.....			
	18	Grants payable.....			
	19	Deferred revenue.....			
	20	Loans from officers, directors, trustees, & other disqualified persons.....			
	21	Mortgages and other notes payable (attach schedule).....			
	22	Other liabilities (describe. ▶ SEE STATEMENT 7.....)	47,415.	49,915.	
	23	Total liabilities (add lines 17 through 22).....	47,415.	49,915.	
NET ASSETS OR FUND BALANCES	Foundations that follow SFAS 117, check here..... ▶ 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.....			
	28	Paid-in or capital surplus, or land, building, and equipment fund.....			
	29	Retained earnings, accumulated income, endowment, or other funds.....	51,773,060.	49,412,366.	
30	Total net assets or fund balances (see the instructions).....	51,773,060.	49,412,366.		
31	Total liabilities and net assets/fund balances (see the instructions).....	51,820,475.	49,462,281.		

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	51,773,060.
2	Enter amount from Part I, line 27a.....	2	2,131,473.
3	Other increases not included in line 2 (itemize)..... ▶	3	
4	Add lines 1, 2, and 3.....	4	53,904,533.
5	Decreases not included in line 2 (itemize)..... ▶ SEE STATEMENT 8	5	4,492,167.
6	Total net assets or fund balances at end of year (line 4 minus line 5) — Part II, column (b), line 30.....	6	49,412,366.

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 shares MLC Company)		(b) How acquired P — Purchase D — Donation	(c) Date acquired (month, day, year)	(d) Date sold (month, day, year)
1 a	N/A			
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				
b				
c				
d				
e				
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				(l) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
(i) Fair Market Value as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any		
a				
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	
3	Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c) (see the instructions). If (loss), enter -0- in Part I, line 8 		3	

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the 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 the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (column (b) divided by column (c))
2006	1,051,202.	49,179,450.	0.021375
2005	497,926.	8,950,015.	0.055634
2004	240,010.	10,276,971.	0.023354
2003	1,343,294.	10,786,461.	0.124535
2002	2,214,062.	8,547,033.	0.259045
2	Total of line 1, column (d)		0.483943
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		0.096789
4	Enter the net value of noncharitable-use assets for 2007 from Part X, line 5		49,915,940.
5	Multiply line 4 by line 3		4,831,314.
6	Enter 1% of net investment income (1% of Part I, line 27b)		17,572.
7	Add lines 5 and 6		4,848,886.
8	Enter qualifying distributions from Part XII, line 4		1,077,472.

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.