

Google Foundation
Financial Statements
December 31, 2006 and 2005



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Google Foundation

We have audited the accompanying statements of financial position of Google Foundation (the Foundation) as of December 31, 2006 and 2005, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2006 and 2005, and the related statements of activities and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

MOHLER, NIXON & WILLIAMS
Accountancy Corporation

Campbell, California
June 7, 2007

GOOGLE FOUNDATION

Statements of financial position as of December 31,

	2006	2005
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Assets		
Cash and cash equivalents	\$ 86,662,643	\$ 84,674,904
Short-term investments	200,000	
Interest receivable	1,825	236,292
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Total assets	\$ 86,864,468	\$ 84,911,196
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Liabilities and net assets		
Accrued expenses	\$ 78,000	
Grant payable	150,000	\$ 250,000
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Total liabilities	228,000	250,000
Unrestricted net assets	86,636,468	84,661,196
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Total liabilities and net assets	\$ 86,864,468	\$ 84,911,196
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See notes to financial statements.

GOOGLE FOUNDATION

Statements of activities and changes in net assets for the years ended December 31,

	2006	2005
Support:		
Contributions		\$ 90,000,000
Other revenue:		
Interest income and dividends	\$ 4,071,163	361,419
Total support and other revenue	4,071,163	90,361,419
Expenses:		
Grants approved	1,996,351	5,700,000
Administrative expenses	17,540	223
Total expenses before provision for federal excise tax	2,013,891	5,700,223
Provision for federal excise tax expense	82,000	
Total expenses	2,095,891	5,700,223
Increase in unrestricted net assets	1,975,272	84,661,196
Unrestricted net assets, beginning of year	84,661,196	-
Unrestricted net assets, end of year	\$ 86,636,468	\$ 84,661,196

See notes to financial statements.

GOOGLE FOUNDATION

Statements of cash flows for the years ended December 31,

	2006	2005
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 1,975,272	\$ 84,661,196
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivable	234,467	(236,292)
Grant payable	(100,000)	250,000
Accrued expenses	78,000	
Net cash provided by operating activities	2,187,739	84,674,904
Cash flows from investing activities:		
Purchase of short-term investments	(200,000)	
Net cash used by investing activities	(200,000)	-
Net increase in cash	1,987,739	84,674,904
Cash and cash equivalents, beginning of year	84,674,904	-
Cash and cash equivalents, end of year	\$ 86,662,643	\$ 84,674,904
Supplemental cash flow information:		
Excise taxes paid during the year	\$ 12,000	\$ -

See notes to financial statements.

GOOGLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006 AND 2005

NOTE 1 - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

Google Foundation (the Foundation) is a non-profit organization established in 2004 by Google, Inc. The Foundation is evaluating needs for selection of specific programs. The Foundation plans to make grants to traditional recognized charitable organizations in the United States and abroad, and to other organizations exclusively for their charitable activities.

Basis of presentation - The financial statements are presented on the accrual basis of accounting under one class of unrestricted net assets. At December 31, 2006 and 2005, the Foundation had no temporarily or permanently restricted net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents - The Foundation considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. As of December 31, 2006 and 2005, cash and cash equivalents consist of cash deposited with a bank and a money market mutual fund. The recorded carrying amount of cash equivalents approximates their fair value. The Foundation places its cash equivalents with high credit-quality financial institutions.

Short-term investments - The Foundation has invested in a certificate of deposit which matures within 12 months and bears interest at 1.5%. The certificate is recorded at cost which approximates fair value. The Board of Directors of the Foundation has designated the amounts from this investment to be used for funding to victims of hurricanes Katrina and Rita.

Concentration of credit risk - Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents and short-term investments. The Foundation often has cash on deposit with a bank in excess of Federal Deposit Insurance Corporation (FDIC) limits and the money invested in the money market mutual fund is not insured by the FDIC or any other government agency.

Grants - Grants are recognized when the promise to give is approved by the Foundation's Board of Directors and all conditions are removed.

Tax exempt status - The Foundation is a private foundation and is exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under section 23701(d) of the Revenue and Taxation Code (Note 3).

NOTE 2 - GRANTS

Grants totaling \$150,000 and \$250,000 were awarded but unpaid at December 31, 2006 and 2005, respectively, and are payable in 2007 and 2006.

As of December 31, 2006, there was a grant for \$2,000,000 that had been approved by the Foundation's Board of Directors but for which grant agreements had not been signed by the grantee. As such, this grant was not considered awarded at December 31, 2006, and, therefore, the Foundation did not record a payable for this grant at December 31, 2006.

NOTE 3 - FEDERAL EXCISE TAXES

In accordance with the applicable provisions of the Internal Revenue Code, the Foundation is a private foundation and qualifies as a tax-exempt organization. Private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the Internal Revenue Code are met) on net investment income, excluding unrealized gains. The Foundation has a provision for approximately \$82,000 in excise taxes for the year ended December 31, 2006, and paid \$8,000 in 2006 for excise taxes for the year ended December 31, 2005.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Foundation is supported by, and economically dependent on, Google, Inc., which provides personnel to operate the Foundation and pays certain costs on behalf of the Foundation. The members of the Board of Directors of the Foundation are employees of Google, Inc. The salaries on the services contributed by the employees are deemed immaterial and have not been reflected in the accompanying financial statements. Included in the accompanying statement of activity was a cash contribution from Google, Inc. of \$90,000,000 made in November 2005 for the year ended December 31, 2005. There was no contribution made for the year ended December 31, 2006.

NOTE 5 - SUBSEQUENT EVENTS

During March 2007, the Board of Directors of the Foundation approved an investment commitment of \$5,000,000 as a limited partner in a limited partnership investment fund (the Fund). The objective of the Fund is to generate attractive, long-term, risk adjusted returns by making private equity investments in the clean energy and environmental finance sectors. The focus of the investments will be on North American and European-based companies.

The investment in the Fund is a long-term commitment, with no certainty of return. Although investments are generally expected to generate cash flow, there may be little or no near-term cash flow available to the Foundation. Since the Fund may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total return to the Foundation.

Since the Foundation's approval of investment in the Fund there have been two drawdowns on the commitment which total approximately \$494,000. The commitments are generally drawn down as necessary to fund investments and to meet expenses. A minimum of ten calendar days written notice is provided. The notice specifies the funding date, amount and proposed use of the proceeds for each drawdown.