

***Google Foundation***  
***Financial Statements***  
***December 31, 2005***



## INDEPENDENT ACCOUNTANTS' REPORT

### To the Board of Directors of Google Foundation

We have audited the accompanying statement of financial position of Google Foundation (the Foundation) as of December 31, 2005, and the related statements of activities and changes in net assets and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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, 2005, and the related statements of activities and changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MOHLER, NIXON & WILLIAMS  
Accountancy Corporation

Campbell, California  
April 24, 2006

# GOOGLE FOUNDATION

## Statement of financial position as of December 31, 2005

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### Assets

Cash and cash equivalents	\$ 84,674,904
Interest receivable	236,292

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Total assets	\$ 84,911,196
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### Liabilities and net assets

Grant payable	\$ 250,000
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Total liabilities	250,000
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Unrestricted net assets	84,661,196
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Total liabilities and net assets	\$ 84,911,196
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See notes to financial statements.

# GOOGLE FOUNDATION

## Statement of activities and changes in net assets for the year ended December 31, 2005

Support:	
Contributions	\$ 90,000,000
Other revenue:	
Interest income	361,419
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Total support and other revenue	90,361,419
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Expenses:	
Grants approved	5,700,000
Administrative expenses	223
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Total expenses	5,700,223
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Increase in unrestricted net assets	84,661,196
Unrestricted net assets, beginning of year	-
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Unrestricted net assets, end of year	\$ 84,661,196
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See notes to financial statements.

# GOOGLE FOUNDATION

## Statement of cash flows for the year ended December 31, 2005

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Cash flows from operating activities:	
Increase in unrestricted net assets	\$ 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	(236,292)
Grant payable	250,000
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Net cash provided by operating activities	84,674,904
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Net increase in cash	84,674,904
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Cash and cash equivalents, beginning of year	-
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Cash and cash equivalents, end of year	\$ 84,674,904
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See notes to financial statements.

# GOOGLE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

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### 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, 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 instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2005, cash and cash equivalents consist of cash deposited with a single bank in a checking account with a feature that allows the bank to automatically sweep at the end of each business day the balance of the account to an interest bearing Eurodollar account that is denominated in United States dollars. The funds are returned to the checking account before the beginning of the next business day and are available for use immediately. The recorded carrying amount of cash equivalents approximates their fair value. The Foundation places its cash equivalents in high credit quality financial institutions.

*Concentration of credit risk* - Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents. The Foundation has cash on deposit with a major financial institution in excess of Federal Deposit Insurance Corporation (FDIC) limits. Cash deposited into the Eurodollar account are not domestic deposits, are not insured by the FDIC and are not guaranteed by the United States government or any United States 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 \$250,000 were awarded but unpaid at December 31, 2005 and are payable in 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 excise taxes for the year ended December 31, 2005 were immaterial.

#### **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.