

Google Foundation
Financial Statements
December 31, 2007 and 2006



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, 2007 and 2006, 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, 2007 and 2006, 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
July 2, 2008

GOOGLE FOUNDATION

Statements of financial position as of December 31,

	2007	2006
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Assets		
Cash and cash equivalents	\$ 73,332,648	\$ 86,662,643
Short-term investments		200,000
Interest receivable		1,825
Investments	10,924,153	
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Total assets	\$ 84,256,801	\$ 86,864,468
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Liabilities and net assets		
Accounts payable and accrued expenses	\$ 225,896	\$ 78,000
Grants payable	525,000	150,000
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Total liabilities	750,896	228,000
Unrestricted net assets	83,505,905	86,636,468
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Total liabilities and net assets	\$ 84,256,801	\$ 86,864,468
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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,

	2007	2006
Other revenue:		
Interest income and dividends	\$ 4,071,618	\$ 4,071,163
Total other revenue	4,071,618	4,071,163
Expenses:		
Grants approved	6,910,000	1,996,351
Investment expenses	190,285	
Administrative expenses	12,896	17,540
Total expenses before provision for federal excise tax	7,113,181	2,013,891
Provision for federal excise tax expense	89,000	82,000
Total expenses	7,202,181	2,095,891
Increase (decrease) in unrestricted net assets	(3,130,563)	1,975,272
Unrestricted net assets, beginning of year	86,636,468	84,661,196
Unrestricted net assets, end of year	\$ 83,505,905	\$ 86,636,468

See notes to financial statements.

GOOGLE FOUNDATION

Statements of cash flows for the years ended December 31,

	2007	2006
Cash flows from operating activities:		
Increase (decrease) in unrestricted net assets	\$ (3,130,563)	\$ 1,975,272
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivable	1,825	234,467
Grant payable	375,000	(100,000)
Accounts payable and accrued expenses	147,896	78,000
Net cash provided (used) by operating activities	(2,605,842)	2,187,739
Cash flows from investing activities:		
Proceeds from short-term investments	200,000	
Purchase of investments	(10,924,153)	
Purchase of short-term investments		(200,000)
Net cash used by investing activities	(10,724,153)	(200,000)
Net increase (decrease) in cash	(13,329,995)	1,987,739
Cash and cash equivalents, beginning of year	86,662,643	84,674,904
Cash and cash equivalents, end of year	\$ 73,332,648	\$ 86,662,643
Supplemental cash flow information:		
Excise taxes paid during the year	\$ 83,000	\$ 12,000

See notes to financial statements.

GOOGLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

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, 2007 and 2006, 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, 2007 and 2006, 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 - During 2006, the Foundation invested in a certificate of deposit which matured within 12 months and bore interest at 1.5%. The certificate was recorded at cost which approximates fair value. The Board of Directors of the Foundation had designated the amounts from this investment to be used for funding to victims of hurricanes Katrina and Rita.

Investments - The Foundation's investments consist of amounts invested in a limited partnership investment fund and a limited liability company investing in equity securities. These other investments or alternative investments are accounted for at the lower of cost or estimated fair value.

Concentration of credit risk - Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents and 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. Risk factors affecting investments include risks of investing in concentrated markets such as clean energy and environmental sectors and the volatility of security exchanges of investments in companies in foreign markets. These risk factors could have a material effect on the ultimate realizable value of the Foundations' investments. The Foundation has adopted policies and procedures to closely monitor these investments to reduce risk.

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 4).

New accounting pronouncements - In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which organizations measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Foundation is currently evaluating the effect that the adoption of SFAS No. 157 will have on its financial statements and is not yet in a position to determine such effects.

NOTE 2 - INVESTMENTS

During March 2007, the Board of Directors of the Foundation approved an investment commitment of \$5,000,000 as a limited partner in MissionPoint Capital Partners Fund I, L.P. (MissionPoint), a limited partnership investment fund. The objective of MissionPoint 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 MissionPoint 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 MissionPoint 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.

The carrying value of the investment in MissionPoint as of December 31, 2007 is \$924,153 which is at cost. The fair value at December 31, 2007 is estimated to be approximately \$1,440,000. The Foundation incurred approximately \$134,000 in investment expenses in connection with this investment in 2007.

The Foundation had a remaining capital commitment of approximately \$3,900,000 subject to the terms of the limited partnership agreement at December 31, 2007. The Foundation made an additional investment of approximately \$332,000 during 2008 in connection with their capital commitment at December 31, 2007.

During June 2007, the Board of Directors of the Foundation approved an investment of \$10,000,000 as a member in Generation IM Global Equity Fund LLC (Generation). Generation is a Delaware limited liability company that has an investment objective to generate long term capital appreciation by investing in a long-only concentrated portfolio of global equity securities. Generation's investment strategy will integrate sustainability research within a rigorous fundamental equity analysis framework. The focus of the investments will be in securities of U.S. and foreign issuers with an expectation to hold between 30 and 50 stocks at any time.

The investment in Generation entails certain significant risks. There can be no assurance that Generation's investment objective will be achieved or that its investment program will be successful. The concentrated portfolio may, in certain circumstances, result in significant losses to the Foundation.

The carrying value of the investment in Generation as of December 31, 2007 is \$10,000,000 which is at cost. The Foundation incurred approximately \$56,000 in investment expenses in connection with this investment in 2007. The fair value at December 31, 2007 is estimated to be approximately \$10,550,000.

NOTE 3 - GRANTS

Grants totaling \$525,000 and \$150,000 were awarded but unpaid at December 31, 2007 and 2006, respectively. Grants payable at December 31, 2007 are payable in the following periods:

Years ending December 31:	
2008	\$250,000
2009	<u>275,000</u>
	<u>\$525,000</u>

As of December 31, 2007 and 2006, there were grants for \$1,800,000 and \$2,000,000, respectively, 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, these grants were not considered awarded at December 31, 2007 and 2006, and, therefore, the Foundation did not record a payable for these grants at December 31, 2007 and 2006.

NOTE 4 - 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 \$89,000 and \$82,000 in excise taxes for the years ended December 31, 2007 and 2006, respectively, and paid \$8,000 in 2006 for excise taxes for the year ended December 31, 2005.

NOTE 5 - 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.