

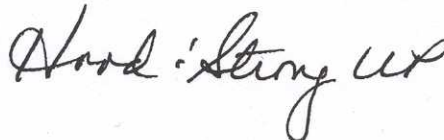
Independent Auditors' Report

THE BOARD OF DIRECTORS
THE WALLACE ALEXANDER GERBODE FOUNDATION
San Francisco, California

We have audited the accompanying statement of financial position of **THE WALLACE ALEXANDER GERBODE FOUNDATION (the Foundation)** as of December 31, 2005, and the related statements of activities 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. The prior year summarized comparative information has been derived from the Foundation's 2004 financial statements which were audited by other auditors whose report, dated June 7, 2005, expressed an unqualified opinion on those statements.

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 Wallace Alexander Gerbode Foundation as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



March 30, 2006

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Statement of Financial Position

<i>December 31, 2005 (with comparative totals for 2004)</i>	2005	2004
Assets		
Cash and cash equivalents	\$ 271,951	\$ 1,122,888
Accrued interest and dividends	28,848	25,581
Grant receivable	300,000	450,000
Prepaid expenses and other assets	11,862	
Investments	75,440,265	71,242,825
Program-related investments, net	546,404	588,800
Office furniture and equipment, net	25,640	30,530
Total assets	\$ 76,624,970	\$ 73,460,624
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 51,614	\$ 73,636
Grants payable	1,098,000	395,000
Federal excise tax payable	29,611	251
Deferred compensation	99,354	99,354
Deferred federal excise tax liability	181,884	188,876
Total liabilities	1,460,463	757,117
Net Assets:		
Unrestricted	74,864,507	72,253,507
Temporarily restricted	300,000	450,000
Total net assets	75,164,507	72,703,507
Total liabilities and net assets	\$ 76,624,970	\$ 73,460,624

