

**Board of Trustees of
The Glide Foundation**

(a California Nonprofit Corporation)

**Reports on Federal Award Programs in
Accordance with OMB Circular A-133**

**December 31, 2005 (with summarized comparative
information for the year ended December 31, 2004)**

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Reports on Federal Award Programs in Accordance with OMB Circular A-133
Year Ended December 31, 2005 (with summarized comparative information
for the year ended December 31, 2004)
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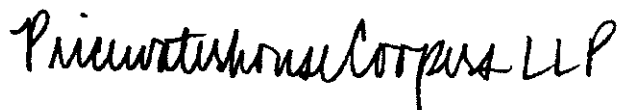
Report of Independent Auditors

To the Members of
Board of Trustees of The Glide Foundation

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Board of Trustees of The Glide Foundation ("the Foundation") at 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 United States of America. 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, and in our report dated May 13, 2005, we expressed an unqualified opinion on these financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2007 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



February 23, 2007

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Statement of Financial Position
December 31, 2005 (with summarized comparative information as of
December 31, 2004)

	2005	2004
Assets		
Cash and cash equivalents	\$ 1,700,519	\$ 3,052,828
Prepaid expenses and other assets	144,746	148,760
Grants and other receivables, net	2,531,975	636,370
Investments	14,583,123	13,819,160
Receivables from related parties	518,432	538,498
Deferred compensation assets	930,552	898,281
Property and equipment, net	3,909,599	3,666,554
Total assets	<u>\$ 24,318,946</u>	<u>\$ 22,760,451</u>
Liabilities and Net Assets		
Accounts payable	\$ 403,527	\$ 440,221
Accrued expenses	519,161	513,879
Short term debt	277,500	-
Deferred revenue	1,432	158,418
Deferred compensation liability	930,552	898,281
Asset retirement obligations	84,734	-
Total liabilities	<u>2,216,906</u>	<u>2,010,799</u>
Commitments and contingencies (Note 9)		
Net assets		
Unrestricted		
Board designated	11,502,882	10,974,426
Undesignated	1,221,510	2,260,607
Total unrestricted	<u>12,724,392</u>	<u>13,235,033</u>
Temporarily restricted	8,241,648	6,378,619
Permanently restricted	1,136,000	1,136,000
Total net assets	<u>22,102,040</u>	<u>20,749,652</u>
Total liabilities and net assets	<u>\$ 24,318,946</u>	<u>\$ 22,760,451</u>

The accompanying notes are an integral part of these financial statements.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Statement of Activities

Year Ended December 31, 2005

(with summarized comparative information for the year ended December 31, 2004)

	2005			2004 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and support				
Contributions, grants and other income	\$ 6,591,681	\$ 5,738,812	\$ -	\$ 12,330,493
Interest and investment income, net	197,768	90,703	-	288,471
Church contributions	647,450	-	-	647,450
Net unrealized and realized gains on investments	330,688	168,664	-	499,352
Net assets released from restrictions	4,135,150	(4,135,150)	-	-
Total revenues, gains, and support	11,902,737	1,863,029	-	13,765,766
Expenses				
Free meals program	2,452,118	-	-	2,452,118
Human services, education, children's programs	6,891,857	-	-	6,891,857
Global ministries	179,923	-	-	179,923
Church	891,485	-	-	891,485
Total program expenses	10,415,383	-	-	10,415,383
General and administration	789,221	-	-	789,221
Fundraising	1,129,062	-	-	1,129,062
Total expenses	12,333,666	-	-	12,333,666
Change in net assets before cumulative effect of change in accounting principle	(430,929)	1,863,029	-	1,432,100
Cumulative effect of change in accounting principle	79,712	-	-	79,712
Change in net assets	(510,641)	1,863,029	-	1,352,388
Net assets, beginning of year	13,235,033	6,378,619	1,136,000	20,749,652
Net assets, end of year	\$ 12,724,392	\$ 8,241,648	\$ 1,136,000	\$ 22,102,040
				\$ 20,749,652

The accompanying notes are an integral part of these financial statements.

Board of Trustees of The Glide Foundation

(a California Nonprofit Corporation)

Statement of Cash Flows

Year Ended December 31, 2005

(with summarized comparative information for the year ended December 31, 2004)

	2005	2004
Cash flows from operating activities		
Change in net assets	\$ 1,352,388	\$ 1,388,570
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	201,570	196,638
Cumulative effect of change in accounting principle	79,712	-
Net unrealized and realized gains on investments	(499,352)	(1,074,335)
Contributed investments	(224,805)	(23,959)
Change in operating assets and liabilities		
Grants and other receivables, net	(1,895,605)	(232,341)
Prepaid expenses and other assets	4,013	(47,946)
Receivables from related parties	20,066	(28,468)
Deferred compensation assets	(32,271)	(26,027)
Accounts payable	(36,694)	97,322
Accrued expenses	5,282	59,041
Deferred revenue	(156,986)	127,953
Deferred compensation liability	32,271	26,027
Net cash flows (used in) provided by operating activities	<u>(1,150,411)</u>	<u>462,475</u>
Cash flows from investing activities		
Additions to property and equipment	(439,592)	(92,834)
Proceeds from sales and maturities of investments	12,808,082	18,146,219
Purchases of investments	<u>(12,847,888)</u>	<u>(18,205,822)</u>
Net cash flows used in investing activities	<u>(479,398)</u>	<u>(152,437)</u>
Cash flows from financing activities		
Proceeds from short term borrowings	277,500	-
Net cash flows provided by financing activities	<u>277,500</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(1,352,309)	310,038
Cash and cash equivalents, beginning of year	3,052,828	2,742,790
Cash and cash equivalents, end of year	<u>\$ 1,700,519</u>	<u>\$ 3,052,828</u>
Supplemental disclosure of noncash activities		
Contributions of investments	<u>\$ 224,805</u>	<u>\$ 23,959</u>

The accompanying notes are an integral part of these financial statements.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Notes to Financial Statements
Year Ended December 31, 2005

1. Organization

The Board of Trustees of The Glide Foundation ("the Foundation") is a benevolent and religious organization incorporated in 1929 under the laws of the State of California to promote religion, charity and education throughout the world in accordance with the doctrines accepted and adopted by The Methodist Episcopal Church, South, which organization has been succeeded by The United Methodist Church. The assets of the Foundation are held in general trust for The United Methodist Church.

Programs and Services

As part of its mission, the Foundation provides the following services to the poor and homeless in the Tenderloin and other poor, high risk communities in San Francisco and the Bay Area.

Free meals program

This program serves three nutritious free meals every day of the year except January 1st. The Free Meals Program utilizes one commercial-grade kitchen, two dining rooms, and thousands of volunteers.

Human services, education and family programs – Consists of four key program areas:

- (i) Health services which provides primary and urgent care, mental health, complementary care, referrals for podiatry services, dental and vision, throughout the week. The HIV/AIDS program area provides street outreach, education, testing, case management and counseling.
- (ii) Training and employment services which serves the unemployed and under-trained with hands-on courses covering everything from computer skills to the construction trades. Services include counseling and case management, interview and resumé workshops, internships, certification programs and assistance with job placement and retention.
- (iii) Family services which provide support to the entire family unit from infants to seniors. Specific services include a licensed child/infant care center, after-school tutoring, advocacy, youth mentoring, case management, summer and weekend programs, social outings/activities, parent education, counseling and support groups.
- (iv) Walk-in center which serves as the Foundation's central resource center for emergency/crisis-related services by providing internal and external referrals to the Foundation's on-site programs and other external community and municipal resources so that individuals may empower themselves to make positive changes in their lives.

Global ministries

This program provides training, consultation, technical assistance and year-round support to churches and organizations on both the international and national front to create viable programs in their own communities.

2. Financial Statement Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and with the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations*, under the provisions specific to nonprofit organizations whereby net assets and changes therein are classified according to the existence or absence of donor-imposed restrictions.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Notes to Financial Statements
Year Ended December 31, 2005

The Foundation's activities and net assets are classified as unrestricted, temporarily restricted and permanently restricted according to the donor-imposed terms of the various contributions, grants and bequests.

A summary of these classifications and the related restrictions, where applicable, are as follows:

Unrestricted Net Assets

These amounts consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets are expendable resources used to support the Foundation's core activities. These net assets may be designated for specific purposes by action of the Board of Trustees (the "Board") or otherwise limited by contractual arrangement with outside parties.

The Board designated endowment relates to unrestricted contributions held in a general trust. ~~Assets in this trust have been designated by the Board to act as an endowment fund.~~ Disbursements are made from this fund for operating purposes according to Board policy. Annual disbursements for operating purposes were based on 5% of the 60-month rolling average of the fund's market value. Effective May 1, 2004 the percentage was decreased to 4%.

Undesignated net assets consist of the Foundation's operating assets and liabilities including property and equipment.

Temporarily Restricted Net Assets

These amounts consist of net assets available for support of the Foundation's programs and capital improvements which are expendable only for purposes specified by the donor or grantor and/or within a specified period.

The net assets included in the temporarily restricted class at December 31, 2005 relate to the following donor restrictions:

Amounts temporarily restricted for donor specified programs from contributions	\$ 3,383,757
Income and net appreciation earned for donor specified programs from permanently restricted funds	<u>4,857,891</u>
	<u>\$ 8,241,648</u>

Permanently Restricted Net Assets

These amounts consist of net assets that are subject to donor-imposed restrictions requiring that the principal be invested in perpetuity.

The net assets included in the permanently restricted class at December 31, 2005 relate to the following trusts:

The Lizzie Glide Trust	\$ 988,000
The Epworth/Wesley Trust	<u>148,000</u>
	<u>\$ 1,136,000</u>

The Lizzie Glide Trust is a charitable trust established in 1929 for the purpose of advancing and fostering the Christian spirit, education, service to the poor, and maintaining an evangelical center in San Francisco. Under the terms of the Lizzie Glide Trust, the principal is permanently restricted, and

Board of Trustees of The Glide Foundation
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Notes to Financial Statements
Year Ended December 31, 2005

the current and accumulated income, together with principal appreciation or depreciation, is purpose-restricted for the maintenance, operation, and support of the church, as well as the promotion of religion, religious education and charity.

The purpose of the Epworth/Wesley Trust is to foster and promote religious training and education among students at the Berkeley, Davis and San Francisco campuses of the University of California. Under the terms of the Epworth/Wesley Trust, the principal is permanently restricted, and the current and accumulated income, together with principal appreciation or depreciation, is purpose-restricted for the above-mentioned purpose.

Contribution revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless restricted by the donor. Expirations of temporary restrictions on net assets (i.e., the donor-restricted purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Gains and losses on permanently restricted net assets are classified as temporarily restricted consistent with the donors' restrictions on interest and dividend income generated by those assets. As the Foundation follows a spending rule approach to the use of all income generated by permanently restricted net assets, only an appropriate portion of the net realized and unrealized gains on those assets will be spent as provided for under the California Uniform Management of Institutional Funds Act ("CUMIFA"). Annual disbursements for operating purposes were based on 5% of the 60-month rolling average of the investments' market value. Effective May 1, 2004 the percentage was decreased to 4%.

Use of 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 and disclosure of contingent 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 and Cash Equivalents

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Financial instruments which are otherwise considered cash equivalents but are intended for long-term investment purposes and are held temporarily until suitable investment opportunities are identified are included in the classification "Investments" in the statement of financial position.

Grants and Other Receivables

Contributions are carried at fair value and recorded in the period pledged or received. Grants that are considered exchange transactions are recorded as revenue when earned. Grants that are non-exchange transactions are considered contributions and accounted for accordingly. Contributions and grants receivable are reviewed by management for collectibility and reserves for uncollectible amounts are established when needed. Contributions to be received after one year are presented net of a discount at a risk free rate of return (ranging from 3% to 4.07%) determined at the respective dates of the original contributions.

Board of Trustees of The Glide Foundation
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Notes to Financial Statements
Year Ended December 31, 2005

Investments

Investments in equity and debt securities are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses arising from investments are reflected in the statement of activities and are determined on a first-in, first-out basis.

The Foundation uses the services of one investment management firm. The investment management assets are held by a third-party custodian that is related to but separate from the investment management firm.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to twenty-two years for building improvements, equipment and furniture. The Foundation's buildings are fully depreciated.

Minor replacements, betterments, maintenance and repairs are charged to expense as incurred. Major replacements and betterments are capitalized and depreciated over the remaining useful lives of the assets.

Deferred Revenue

Deferred revenue relates to unearned contracts and government grants that are exchange transactions and where cash has been received but services have not yet been performed nor expenses incurred.

Church Contributions

Church contributions received from members as a result of fund raising efforts are designated by the donors for the Foundation's programs and programs' support. Other church contributions are received from members at Sunday services from loose offerings and pledges designated for church activities.

Contributed Assets and Services

The Foundation records the estimated wholesale value of food donations received as a contribution and as an expense of the Free Meals Program when used. In 2005 and 2004, these food donations and expenses totaled \$463,987 and \$733,696, respectively.

The Foundation receives contributed services from individuals with specialized knowledge and technical expertise in areas such as information technology and medicine. These individuals assist with both administrative and program activities. The Foundation records revenue and a corresponding program expense for these contributed services based on market rates for equivalent services. In 2005 and 2004, contributed services totaled \$812,215 and \$600,764, respectively.

Income Taxes

The Foundation is exempt from payment of federal and state income taxes as a church under the provisions of the Internal Revenue Code and corresponding California provisions regarding organizations operated exclusively for religious, charitable, and educational purposes and is not considered a private foundation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based primarily upon employee head count.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Notes to Financial Statements
Year Ended December 31, 2005

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

Reclassifications and Out of Period Adjustments

Certain 2004 balances have been reclassified to conform to the 2005 presentation. Such reclassifications had no effect on total net assets or the change in net assets as previously reported.

In connection with the preparation of the December 31, 2005 financial statements, the Foundation determined it had not recorded the full amount of certain multi-year grants in the year the grants were received. The amount of grants receivable unrecorded as of December 31, 2004 was \$1,268,253. Because this amount was considered immaterial to the financial statements taken as a whole, the Foundation recorded this amount in 2005 as temporarily restricted contributions.

Recent Accounting Pronouncements – Asset Retirement Obligations

In March of 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* ("FIN 47"), which was issued to provide clarity surrounding the recognition of conditional asset retirement obligations, as referred to in FASB Statement No. 143 *Accounting for Asset Retirement Obligations*. FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. FIN 47 also provides guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation.

The Foundation adopted FIN 47 effective January 1, 2005. Based on the guidance in FIN 47, management of the Foundation determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations. With regard to the FIN 47 regulation, the Foundation recognized the liability for remediation of asbestos.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in an accounting principle. Specifically, FIN 47 requires the recognition of a cumulative effect, the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation.

Upon adoption of FIN 47, the Foundation recognized \$79,712 as the cumulative effect of a change in accounting principle in the statement of activities. As of December 31, 2005, \$84,734 of conditional asset retirement obligations were included in the statement of financial position.

3. Receivables from Related Parties

The Foundation has four uncollateralized loans totaling \$70,000 as of December 2005 and 2004 to Glide Economic Development Corporation. The notes are payable on demand and accrue interest at 7% per annum. Interest receivable on the uncollateralized loans amounting to \$21,583 and \$16,683 as of December 31, 2005 and 2004, respectively, are also included in the receivables from related parties.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Notes to Financial Statements
Year Ended December 31, 2005

The Foundation has an uncollateralized loan totaling \$141,485 as of December 31, 2005 and 2004 to Glide Community Housing Corporation. The note is payable on demand and is interest free.

The Foundation has a collateralized housing loan totaling \$150,000 as of December 31, 2005 and 2004 to a Glide employee. The note is payable on the sale of the property and accrues interest at 6% per annum. Interest receivable on the note was \$0 as of December 31, 2005 and 2004.

The majority of the remaining receivables from related parties as of December 31, 2005 relate to amounts due from Glide Community Housing Corporation totaling \$135,364 comprised primarily of payroll and related expenses.

4. Investments

As of December 31, 2005 and 2004, investments consisted of the following:

	2005	2004
Cash and cash equivalents	\$ 675,650	\$ 735,930
Common stocks	10,048,321	9,487,403
Bond funds	3,859,152	3,595,827
	<u>\$ 14,583,123</u>	<u>\$ 13,819,160</u>

5. Grants and Other Receivables

As of December 31, 2005 and 2004, grants and other receivables are expected to be collected in the following periods:

	2005	2004
In one year or less	\$ 883,907	\$ 636,370
Between one year to five years	1,740,009	-
	<u>2,623,916</u>	<u>636,370</u>
Less: discount on multi-year grants	91,941	-
Total grants and other receivables	<u>\$ 2,531,975</u>	<u>\$ 636,370</u>

At December 31, 2005, the Foundation had conditional grants of \$125,000 outstanding. These grants have not been recorded in the accompanying financial statements as the conditions had not been met as of December 31, 2005.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Notes to Financial Statements
Year Ended December 31, 2005

6. Property and Equipment

As of December 31, 2005 and 2004, property and equipment consists of the following:

	2005	2004
Buildings and building improvements	\$ 4,879,345	\$ 4,661,235
Equipment and furniture	<u>1,402,530</u>	<u>1,181,050</u>
	6,281,875	5,842,285
Accumulated depreciation	<u>(2,865,193)</u>	<u>(2,668,648)</u>
	3,416,681	3,173,637
Land	<u>492,917</u>	<u>492,917</u>
	<u>\$ 3,909,599</u>	<u>\$ 3,666,554</u>

Depreciation expenses for fiscal 2005 and 2004 were \$201,570 and \$196,638, respectively.

7. Loans Payable

The Foundation has a line of credit in the amount of \$1,000,000 with Bank of America, which was increased from \$250,000 as of February 2005. The line is renewable annually and bears interest at prime plus 1.75% per annum (the prior line of credit bore interest at prime plus 1.25% per annum). While there were no borrowings on this line of credit in 2004, during 2005 the Foundation had \$277,500 in borrowings.

8. Pension Plan and Deferred Compensation Plan

The Foundation's employees can participate in the Foundation's Pension Plan (the "Plan"), a 403(b) defined contribution plan. All employees are able to contribute to the Plan. In order for the employee to participate in the employer matching portion of the Plan, the employee must have worked at the Foundation for at least one year, work a minimum of 20 hours per week, and contribute a minimum of 2% of salary to the Plan. The Foundation contributes an amount equal to 3% of the employee's salary and employer contributions vest 100% from the first day that the employee is eligible and contributes to the Plan. The Foundation's contributions amounted to \$93,850 in 2005 and \$101,130 in 2004, respectively.

The Foundation has also established a program under which it will provide supplemental retirement benefits to its employees. The plan is intended to be a "church plan" under Section 3(33) of ERISA. The Foundation selects the eligible participants in the plan and may make discretionary contributions to the plan on their behalf. All amounts contributed to the plan are immediately vested but are subject to the claims of creditors of the Foundation. At the present time, employees cannot contribute any portion of their compensation to the plan. The Foundation did not approve contributions in either 2005 or 2004.

Board of Trustees of The Glide Foundation
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Notes to Financial Statements
Year Ended December 31, 2005

9. Commitments and Contingencies

Certain grants and contracts require compliance with various requirements. Failure to comply with these requirements could result in disallowance of costs and potential repayment to the sponsor(s). However, the Foundation's management considers the likelihood of a need to return funds to sponsors to be remote.

10. Subsequent Events

In March 2006, the Foundation paid off the borrowing of \$277,500 on the line of credit with Bank of America.

The Foundation entered into a line of credit in the amount of \$1,000,000 with Wells Fargo Bank in June 2006. The line is renewable annually and bears interest at prime plus 0.5% per annum.

Board of Trustees of The Glide Foundation
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Schedule of Expenditures of Federal Awards
Year Ended December 31, 2005

Federal Grantor Program Title	Federal CFDA Number	Grantor's Number	Federally Funded Expenditures
Center for Disease Control / Pass Through San Francisco Dept of Public Health AIDS Office/ AIDS Medical & Health Services	93.94	POHC05000973	\$ 138,422
Department of Health & Human Services / Pass Through San Francisco Community Clinic Consortium / Consolidated Health Centers	93.224	3H80CS00049-03-02	624,407
Department of Labor / Pass Through Private Industry Council / Work Incentive Administration - Dislocated Workers	17.260	178G800P8	4,680
Department of Labor / Pass Through Private Industry Council / Work Incentive Administration - Adult Program	17.258	201-178D-54A	13,590
Department of Housing and Urban Development / Pass Through San Francisco Mayor's Office of Community Development / Community Development Block Grant	14.218	ENMO0500003401	18,186
Department of Housing and Urban Development / Pass Through San Francisco Mayor's Office of Community Development / Community Development Block Grant	14.218	POMO0600010001	14,709
Department of Health & Human Services / Pass Through San Francisco State University / Head Start	93.600	PO4200400408	32,466
Department of Health & Human Services / Pass Through San Francisco State University / Head Start	93.600	09CH9053-7	16,917
Department of Health & Human Services / Pass Through Children's Council of San Francisco Childcare Development Fund	93.596	ENMO0500017501	29,233
Department of Agriculture / Pass Through State of California Department of Education / Children & Adult Care Food Program	10.558	3127-OA	33,221
Department of Agriculture / Pass Through State of California Department of Education / Children & Adult Care Food Program	10.558	3127-OA	9,848
Department of Education / Safe & Drug-Free Schools & Communities	84.184	S184B020059-04	161,624
Department of Housing and Urban Development / YouthBuild 2005-2007	14.243	Y04IMCA0235	324,735
Department of Health & Human Services / HRSA: Nurse Education Practice & Retention	93.359	D11 HP05197	19,807
			<u>\$ 1,441,845</u>

This schedule should be read in conjunction with the Note to Schedule of Expenditures of Federal Awards.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2005

Note to Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") has been prepared on the accrual basis and in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The purpose of the Schedule is to present a summary of those activities of the Board of Trustees of The Glide Foundation ("the Foundation") for the year ended December 31, 2005, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between the Foundation and the federal government.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of
Board of Trustees of The Glide Foundation

We have audited the financial statements of Board of Trustees of The Glide Foundation ("the Foundation") as of and for the year ended December 31, 2005, and have issued our report thereon dated February 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Foundation's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated February 23, 2007.

This report is intended solely for the information and use of the Foundation's board of trustees, the finance committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PriceWaterhouseCoopers LLP

February 23, 2007

**Report of Independent Auditors on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Members of
Board of Trustees of The Glide Foundation

Compliance

We have audited the compliance of Board of Trustees of The Glide Foundation ("the Foundation") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Foundation's board of trustees, the finance committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PriceWaterhouseCoopers LLP

February 23, 2007

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005

I. Summary of Auditor's Results

1. *Financial Statements*

Type of auditor's report issued: *Unqualified*

	Yes	No
Internal control over financial reporting:		
• Material weakness(es) identified?		X
• Reportable condition(s) identified that are not considered to be material weakness(es)?	X	
Noncompliance material to financial statements noted?		X

2. *Federal Awards*

	Yes	No
Internal control over major programs:		
• Material weakness(es) identified?		X
• Reportable condition(s) identified that are not considered to be material weakness(es)?		None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

	Yes	No
• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A - 133?		X

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005

3. *Identification of Major Programs:*

CFDA Number	Grantor's Number	Name of Federal Program or Cluster
93.224	3H80CS00049-03-02	Department of Health & Human Services / Pass through San Francisco Community Clinic Consortium / Consolidated Health Centers
14.243	Y04IMCA0235	Department of Housing and Urban Development / YouthBuild 2005-2007

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Yes **No**

Auditee qualified as low-risk auditee?

X

II. Financial Statement Findings

Finding 05-01 Assess Each Grant Awarded to the Foundation for Proper Classification as an Exchange or Nonexchange Transaction

Condition and Effect

In 2004, the Foundation was notified that it had been awarded three separate grants from private entities with payments to be received in subsequent years. Because these awards were labeled as grants, the Foundation presumed they should be treated as exchange transactions for financial reporting purposes and that the revenue should be recorded as earned. However, in connection with the preparation of the 2005 financial statements, management determined that these grants were nonexchange transactions and accordingly, revenue should have been recorded when the Foundation received notification that the grants had been awarded. The amount of unrecorded grants receivable as of December 31, 2004 was \$1,268,253.

Due to the overall immateriality of these grants when measured on both a qualitative and quantitative basis, the revenue was recorded in the 2005 financial statements as temporarily restricted contributions.

Questioned Costs

None. No federal awards were impacted by this accounting issue.

Cause

Historically, the Foundation treated all grants as exchange transactions rather than evaluating each grant to determine whether it was an exchange or nonexchange transaction as described under generally accepted accounting principles. This practice stemmed from the fact that the majority of the Foundation's grants are from governmental agencies and have been treated appropriately as exchange transactions. Private entity grants however, are often nonexchange transactions and this distinction was not made for purposes of reporting revenue in the financial statements.

Recommendation

We recommend that the Foundation review each grant awarded to ascertain whether it should be treated as an exchange or nonexchange transaction in the Foundation's financial statements.

Board of Trustees of The Glide Foundation
(a California Nonprofit Corporation)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005

Management's Views and Corrective Action Plan

We concur with the finding and the recommendation. As part of our 2005 audit preparation we reviewed all grants in 2004 and 2005 to ensure we had recorded them correctly. In the future, management will evaluate each grant separately to ensure the appropriate accounting treatment is followed.

III. Federal Award Findings and Questioned Costs

No such matters to report.

IV. Prior Year Findings and Questioned Costs

None.



Board of Trustees of the Glide Foundation

**Report to Management
For the Year Ended December 31, 2005**

February 23, 2007

Ms. Serena Low
Interim Executive Director
Board of Trustees of the Glide Foundation

Dear Serena:

In planning and performing our audit of the financial statements of the Board of Trustees of the Glide Foundation (the "Foundation") for the year ended December 31, 2005, we considered its system of internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation, and are submitting for your consideration related observations and recommendations designed to help the Foundation improve the system of internal control and achieve operational efficiencies. Our comments reflect our desire to be of assistance to the Foundation.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Trustees, the Audit and Finance Committees, management, and others within the organization and are not intended to be and should not be used by anyone other than these specified parties.

If you would like any further information or would like to discuss any of the issues raised, please do not hesitate to contact Joan Murphy at (415) 498-7690.

Very truly yours,

PricewaterhouseCoopers LLP

cc: Dimitra Tamareisis

Board of Trustees of the Glide Foundation
Report To Management
For The Year Ended December 31, 2005

1. A-133 Immaterial Findings

As a result of our A-133 audit of federal awards expended by the Foundation during 2005, we had several observations to share with management. None of these rose to the significance warranting inclusion in the A-133 report but they should be considered for purposes of improving compliance with federal award requirements.

- We noted that the individuals involved with oversight of the Foundation's federal award programs were familiar with the requirements specified in the program grant agreements. The program grant agreements primarily discuss operation requirements. However, knowledge was lacking in regards to the requirements set forth in the OMB Circular A-133 Compliance Supplement. The A-133 Compliance Supplement covers federal government compliance requirements and knowledge of these is critical to ensuring overall compliance with the federal awards.
- In 2005, the Foundation participated in a new program, Youthbuild. This program is funded by HUD. There are special provisions set forth in the Federal Register that applied to the Foundation given that it was a new applicant to the program. One of the requirements under these special provisions was that new applicants/participants of the program were required to limit the graduating class in the first year of the program to 22. The Foundation served 44 clients during 2005.

While there was no implication to federal award expenditures as a result of serving in excess of the 22 clients, no evidence of communication from HUD approving the serving of excess individuals was provided to us. We recommend that when such exceptions occur, management document support for what has been done.

- During 2005, the San Francisco Community Clinic Consortium ("SFCCC") conducted a "Chart Audit" as part of SFCCC's efforts to continuously improve the quality of the services provided by the health clinics it funds. We found no evidence that the results of the Chart Audit had been shared with the Foundation's board.

The results of the Chart Audit indicated a below standard quality level for 2005. Action was taken by management to address the findings noted in the audit and the SFCCC acknowledged they were satisfied with the Foundation's remediation plan and efforts. Ultimately, there was no negative impact to the Foundation's funding from the SFCCC as a result of this Chart Audit.

We recommend that the Foundation's board or a designated committee of the board, be informed of all audits regardless of the agency that performed the audit and the results of the audit.

Board of Trustees of the Glide Foundation
Report To Management
For The Year Ended December 31, 2005

- As part of our testing of the SFCCC grant, we noted services provided to three individuals in our sample, who were technically ineligible to receive benefits through this grant due to the fact that they were not homeless as defined by the grant provisions. We determined that there was no impact to federal award expenditures as a result of this noncompliance, since the Foundation's clinic serves many individuals who would have qualified as homeless but who were not listed as being served by the grant.

We recommend that recordkeeping be improved to provide documentation that all individuals served by a grant are in fact eligible to be served by that grant.

2. Financial Statement Recommendations

- In connection with the preparation of the 2005 financial statements, management determined that the full amount of certain multi-year grants had not been recorded in the year the grants were awarded (2004). The amount of unrecorded grants receivable at December 31, 2004 was \$1,268,253. Ultimately, this amount was determined by management to be immaterial to the financial statements taken as a whole. We concurred with this position. Accordingly, management recorded this amount in the Foundation's 2005 financial statements as temporarily restricted contributions.

This prior period adjustment arose because the Foundation treated private grants as exchange transactions, similar to how the Foundation records government grants. However, under GAAP, it is important to evaluate each grant separately to determine whether it constitutes an exchange or nonexchange transaction. Exchange grant revenues should be recorded as earned whereas nonexchange grant revenues should be recorded when the Foundation is notified that it has been awarded the grant.

We recommend that management evaluate each grant the Foundation receives to assess whether exchange or nonexchange accounting treatment is appropriate.

- Improve Reviews of Bank Reconciliations

Management's practice is for the Foundation's controller to receive any bank statements related to Foundation bank accounts and review these statements for any unusual activity or items. Upon completion of her review, the Controller then requests the Accounting Manager to perform a reconciliation of the bank statement to the Foundation's general ledger cash accounts. The reconciliation performed by the Accounting Manager is not reviewed subsequently.

While a preliminary review of the bank statement is helpful and is likely to catch any unusual items, we recommend that a review of the reconciliation be performed. Such a review would identify if the reconciliation is being performed timely but will also give greater visibility to unusual reconciling items that may require investigation.