

Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation

2005

Note: The organization may be able to use a copy of this return to satisfy state reporting requirements

For calendar year 2005, or tax year beginning _____, and ending _____

G Check all that apply Initial return Final return Amended return Address change Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of organization THE STEPPING STONES FOUNDATION	A Employer identification number 13-3031164
	Number and street (or P O box number if mail is not delivered to street address) Room/suite PO BOX 452	B Telephone number 914-232-4822
	City or town, state, and ZIP code BEDFORD HILLS, NY 10507	C If exemption application is pending, check here <input type="checkbox"/> D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>
H Check type of organization <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation		E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/>
I Fair market value of all assets at end of year (from Part II, col (c), line 16) ▶ \$ 7,330,441.	J Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____	F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>

Part I Analysis of Revenue and Expenses <small>(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a))</small>	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
1 Contributions, gifts, grants, etc., received	38,974.			
2 Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch B				
3 Interest on savings and temporary cash investments				
4 Dividends and interest from securities	221,410.	221,410.	221,410.	Statement 1
5a Gross rents				
b Net rental income or (loss)				
6a Net gain or (loss) from sale of assets not on line 10	171,399.			
b Gross sales price for all assets on line 6a 2,523,242.				
7 Capital gain net income (from Part IV, line 2)		171,399.		
8 Net short-term capital gain			0.	
9 Income modifications				
10a Gross sales less returns and allowances				
b Less Cost of goods sold				
c Gross profit or (loss)				
11 Other income	15,863.	0.	15,863.	Statement 2
12 Total. Add lines 1 through 11	447,646.	392,809.	237,273.	
13 Compensation of officers, directors, trustees, etc	107,611.	0.	0.	107,611.
14 Other employee salaries and wages	11,230.	0.	0.	11,230.
15 Pension plans, employee benefits	10,784.	0.	0.	10,784.
16a Legal fees				
b Accounting fees Stmt 3	6,500.	3,250.	3,250.	0.
c Other professional fees Stmt 4	43,353.	41,503.	41,503.	1,850.
17 Interest				
18 Taxes Stmt 5	12,588.	0.	0.	12,588.
19 Depreciation and depletion	4,685.	0.	0.	
20 Occupancy	15,469.	0.	0.	16,085.
21 Travel, conferences, and meetings	668.	0.	0.	668.
22 Printing and publications	4,261.	0.	0.	4,261.
23 Other expenses Stmt 6	95,094.	312.	312.	95,684.
24 Total operating and administrative expenses. Add lines 13 through 23	312,243.	45,065.	45,065.	260,761.
25 Contributions, gifts, grants paid				
26 Total expenses and disbursements. Add lines 24 and 25	312,243.	45,065.	45,065.	260,761.
27 Subtract line 26 from line 12				
a Excess of revenue over expenses and disbursements	135,403.			
b Net investment income (if negative, enter -0-)		347,744.		
c Adjusted net income (if negative, enter -0-)			192,208.	

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Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only		Beginning of year	End of year		
				(a) Book Value	(b) Book Value	(c) Fair Market Value	
Assets	1	Cash - non-interest-bearing		957.	32,942.	32,942.	
	2	Savings and temporary cash investments		44,141.	25,816.	25,816.	
	3	Accounts receivable	31,524.				
		Less allowance for doubtful accounts		34,146.	31,524.	31,524.	
	4	Pledges receivable					
		Less allowance for doubtful accounts					
	5	Grants receivable					
	6	Receivables due from officers, directors, trustees, and other disqualified persons					
	7	Other notes and loans receivable					
		Less allowance for doubtful accounts					
	8	Inventories for sale or use			8,589.	8,589.	
	9	Prepaid expenses and deferred charges			13,814.	14,472.	14,472.
	10a	Investments - U S and state government obligations	Stmt 7		618,847.	507,548.	507,548.
	b	Investments - corporate stock	Stmt 8		3,642,443.	3,707,852.	3,707,852.
	c	Investments - corporate bonds	Stmt 9		1,479,762.	1,558,459.	1,558,459.
	11	Investments - land, buildings, and equipment basis					
	Less accumulated depreciation						
12	Investments - mortgage loans						
13	Investments - other						
14	Land, buildings, and equipment basis		1,558,429.				
	Less accumulated depreciation	Stmt 10	115,190.	1,447,924.	1,443,239.	1,443,239.	
15	Other assets (describe)						
16	Total assets (to be completed by all filers)			7,282,034.	7,330,441.	7,330,441.	
Liabilities	17	Accounts payable and accrued expenses		9,078.	14,719.		
	18	Grants payable					
	19	Deferred revenue					
	20	Loans from officers, directors, trustees, and other disqualified persons					
	21	Mortgages and other notes payable					
	22	Other liabilities (describe)					
23	Total liabilities (add lines 17 through 22)			9,078.	14,719.		
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.						
	24	Unrestricted		7,272,956.	7,302,262.		
	25	Temporarily restricted			13,460.		
	26	Permanently restricted					
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 31.						
	27	Capital stock, trust principal, or current funds					
	28	Paid-in or capital surplus, or land, bldg, and equipment fund					
	29	Retained earnings, accumulated income, endowment, or other funds					
30	Total net assets or fund balances			7,272,956.	7,315,722.		
31	Total liabilities and net assets/fund balances			7,282,034.	7,330,441.		

Part III Analysis of Changes in Net Assets or Fund Balances

1	Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	7,272,956.
2	Enter amount from Part I, line 27a	2	135,403.
3	Other increases not included in line 2 (itemize)	3	0.
4	Add lines 1, 2, and 3	4	7,408,359.
5	Decreases not included in line 2 (itemize) CHANGE IN UNREALIZED APPRECIATION	5	92,637.
6	Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	7,315,722.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co)	(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo, day, yr)	(d) Date sold (mo, day, yr)
1a SEE SCHEDULE ATTACHED #12	P		
b SEE SCHEDULE ATTACHED #12	P		
c SEE SCHEDULE ATTACHED #12	P		
d			
e			

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a 1,191,665.		1,193,032.	-1,367.
b 1,320,285.		1,158,811.	161,474.
c 11,292.			11,292.
d			
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(i) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h))
(l) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j), if any	
a			-1,367.
b			161,474.
c			11,292.
d			
e			

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 if (loss), enter -0- in Part I, line 7 }	2	171,399.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) If (loss), enter -0- in Part I, line 8	3	-1,367.

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank

Was the organization liable for the section 4942 tax on the distributable amount of any year in the base period?

Yes No

If "Yes," the organization does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year, see instructions before making any entries

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))
2004	232,779.	5,506,914.	.042270
2003	228,801.	5,032,704.	.045463
2002	233,247.	5,207,596.	.044790
2001	200,890.	5,538,113.	.036274
2000	210,579.	5,863,842.	.035911

2 Total of line 1, column (d)	2	.204708
3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	.040942
4 Enter the net value of noncharitable-use assets for 2005 from Part X, line 5	4	5,705,648.
5 Multiply line 4 by line 3	5	233,601.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	3,477.
7 Add lines 5 and 6	7	237,078.
8 Enter qualifying distributions from Part XII, line 4 If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions	8	260,761.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1 Date of ruling letter _____ (attach copy of ruling letter if necessary-see instructions)		
b	Domestic organizations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b	1	3,477.
c	All other domestic organizations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (b)		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	2	0.
3	Add lines 1 and 2	3	3,477.
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	4	0.
5	Tax based on investment income. Subtract line 4 from line 3 If zero or less, enter -0-	5	3,477.
6	Credits/Payments		
a	2005 estimated tax payments and 2004 overpayment credited to 2005	6a	3,459.
b	Exempt foreign organizations - tax withheld at source	6b	
c	Tax paid with application for extension of time to file (Form 8868)	6c	2,000.
d	Backup withholding erroneously withheld	6d	
7	Total credits and payments Add lines 6a through 6d	7	5,459.
8	Enter any penalty for underpayment of estimated tax Check here <input checked="" type="checkbox"/> if Form 2220 is attached	8	7.
9	Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9	
10	Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	1,975.
11	Enter the amount of line 10 to be Credited to 2006 estimated tax	11	0.

Part VII-A Statements Regarding Activities

	Yes	No
1a		X
1b		X
1c		X
2		X
3		X
4a		X
4b		N/A
5		X
6	X	
7	X	
8a		
8b	X	
9	X	
10		X
11	X	

12 The books are in care of The Foundation Telephone no 914-232-4822
 Located at PO BOX 452, BEDFORD HILLS, NY ZIP+4 10507

13 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here
 and enter the amount of tax-exempt interest received or accrued during the year 13 N/A

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

Table with columns for question descriptions, Yes/No checkboxes, and a grid for Yes/No responses. Includes questions 1a through 6b regarding disqualifying activities, taxes, and business holdings.

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation.

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
See Statement 11		107,611.	10,784.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). If none, enter "NONE."

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
None				

Total number of other employees paid over \$50,000 ▶ 0

3 Five highest-paid independent contractors for professional services. If none, enter "NONE."

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
None		

Total number of others receiving over \$50,000 for professional services ▶ 0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc	Expenses
1 N/A	
2	
3	
4	

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 N/A	
2	
All other program-related investments See instructions	
3	
Total. Add lines 1 through 3	0.

Part X Minimum Investment Return (All domestic foundations must complete this part Foreign foundations, see instructions)

1 Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes		
a Average monthly fair market value of securities	1a	5,745,061.
b Average of monthly cash balances	1b	14,640.
c Fair market value of all other assets	1c	32,835.
d Total (add lines 1a, b, and c)	1d	5,792,536.
e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2 Acquisition indebtedness applicable to line 1 assets	2	0.
3 Subtract line 2 from line 1d	3	5,792,536.
4 Cash deemed held for charitable activities Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	86,888.
5 Net value of noncharitable-use assets. Subtract line 4 from line 3 Enter here and on Part V, line 4	5	5,705,648.
6 Minimum investment return. Enter 5% of line 5	6	285,282.

Part XI Distributable Amount (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here and do not complete this part)

1 Minimum investment return from Part X, line 6	1	
2a Tax on investment income for 2005 from Part VI, line 5	2a	
b Income tax for 2005 (This does not include the tax from Part VI)	2b	
c Add lines 2a and 2b	2c	
3 Distributable amount before adjustments Subtract line 2c from line 1	3	
4 Recoveries of amounts treated as qualifying distributions	4	
5 Add lines 3 and 4	5	
6 Deduction from distributable amount (see instructions)	6	
7 Distributable amount as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1	7	

Part XII Qualifying Distributions (see instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes		
a Expenses, contributions, gifts, etc - total from Part I, column (d), line 26	1a	260,761.
b Program-related investments - total from Part IX-B	1b	0.
2 Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3 Amounts set aside for specific charitable projects that satisfy the		
a Suitability test (prior IRS approval required)	3a	
b Cash distribution test (attach the required schedule)	3b	
4 Qualifying distributions. Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	260,761.
5 Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b	5	3,477.
6 Adjusted qualifying distributions. Subtract line 5 from line 4	6	257,284.

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2004	(c) 2004	(d) 2005
1 Distributable amount for 2005 from Part XI, line 7				0.
2 Undistributed income, if any, as of the end of 2004			0.	
a Enter amount for 2004 only				
b Total for prior years		0.		
3 Excess distributions carryover, if any, to 2005				
a From 2000				
b From 2001				
c From 2002				
d From 2003				
e From 2004				
f Total of lines 3a through e	0.			
4 Qualifying distributions for 2005 from Part XII, line 4 ▶ \$ N/A				
a Applied to 2004, but not more than line 2a			0.	
b Applied to undistributed income of prior years (Election required - see instructions)		0.		
c Treated as distributions out of corpus (Election required - see instructions)	0.			
d Applied to 2005 distributable amount	0.			0.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2005 (If an amount appears in column (d), the same amount must be shown in column (a))	0.			0.
6 Enter the net total of each column as indicated below:	0.			
a Corpus Add lines 3f, 4c, and 4e Subtract line 5				
b Prior years' undistributed income Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b Taxable amount - see instructions		0.		
e Undistributed income for 2004 Subtract line 4a from line 2a Taxable amount - see instr			0.	
f Undistributed income for 2005 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2006				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3)	0.			
8 Excess distributions carryover from 2000 not applied on line 5 or line 7	0.			
9 Excess distributions carryover to 2006. Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9				
a Excess from 2001				
b Excess from 2002				
c Excess from 2003				
d Excess from 2004				
e Excess from 2005				

Part XIV Private Operating Foundations (see instructions and Part VII-A, question 9)

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2005, enter the date of the ruling **09/15/91**

b Check box to indicate whether the organization is a private operating foundation described in section 4942(j)(3) or 4942(j)(5)

2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed	Tax year	Prior 3 years			(e) Total
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	
b 85% of line 2a	192,208.	163,438.	223,987.	188,966.	768,599.
c Qualifying distributions from Part XII, line 4 for each year listed	163,377.	138,922.	190,389.	160,621.	653,309.
d Amounts included in line 2c not used directly for active conduct of exempt activities	260,761.	234,669.	230,653.	234,948.	961,031.
e Qualifying distributions made directly for active conduct of exempt activities	0.	0.	0.	3,000.	3,000.
Subtract line 2d from line 2c	260,761.	234,669.	230,653.	231,948.	958,031.
3 Complete 3a, b, or c for the alternative test relied upon					
a "Assets" alternative test - enter (1) Value of all assets					0.
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					0.
b "Endowment" alternative test - enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed	190,188.	183,564.	167,757.	173,587.	715,096.
c "Support" alternative test - enter (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					0.
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					0.
(3) Largest amount of support from an exempt organization					0.
(4) Gross investment income					0.

Part XV Supplementary Information (Complete this part only if the organization had \$5,000 or more in assets at any time during the year-see page 26 of the instructions.)

1 Information Regarding Foundation Managers:

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000) (See section 507(d)(2))

None

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest

None

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:

Check here if the organization only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the organization makes gifts, grants, etc (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

a The name, address, and telephone number of the person to whom applications should be addressed
ANNAH PERCH, EXECUTIVE DIRECTOR, 914-232-4822
C/O THE STEPPING STONES FOUNDATION, BEDFORD HILLS, NY 10507

b The form in which applications should be submitted and information and materials they should include
THERE ARE NO FORMAL GUIDELINES FOR GRANT APPLICATIONS.

c Any submission deadlines
NONE

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors
STEPPING STONES IS AN OPERATING FOUNDATION, SO FUNDS FOR GRANTS ARE LIMITED.

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
<p>a <i>Paid during the year</i></p> <p style="text-align: center;">None</p>				
Total				0.
<p>b <i>Approved for future payment</i></p> <p style="text-align: center;">None</p>				
Total				0.

2005 DEPRECIATION AND AMORTIZATION REPORT

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990-PF

Asset No	Description	Date Acquired	Method	Life	Line No	Unadjusted Cost Or Basis	Bus % Excl	* Reduction In Basis	Basis For Depreciation	Accumulated Depreciation	Current Sec 179	Amount Of Depreciation
1	LAND & BUILDINGS	100588L				1400000.			1400000.			0.
2	BUILDING IMPROVEMENTS	VariesSL		27.50	17	90,147.			90,147.	43,066.		4,435.
3	DRIVEWAY	VariesSL		20.00	17	5,000.			5,000.	3,000.		250.
4	HEATING SYSTEM	VariesSL		7.00	17	8,100.			8,100.	9,257.		0.
5	EQUIPMENT	VariesSL		7.00	17	18,364.			18,364.	18,364.		0.
6	EQUIPMENT	VariesSL		5.00	17	32,429.			32,429.	32,429.		0.
7	EQUIPMENT	010197SL		5.00	17	4,389.			4,389.	4,389.		0.
	* Total 990-PF Pg 1 Depr					1558429.		0.	1558429.	110,505.	0.	4,685.

Form 990-PF	Dividends and Interest from Securities		Statement	1
Source	Gross Amount	Capital Gains Dividends	Column (A) Amount	
DIVIDENDS & INTEREST ON SECURITIES	221,410.	0.	221,410.	
Total to Fm 990-PF, Part I, ln 4	221,410.	0.	221,410.	

Form 990-PF	Other Income			Statement	2
Description	(a) Revenue Per Books	(b) Net Investment Income	(c) Adjusted Net Income		
ROYALTIES ON BOOK	1,312.	0.	1,312.		
PRODUCT SALES	14,551.	0.	14,551.		
Total to Form 990-PF, Part I, line 11	15,863.	0.	15,863.		

Form 990-PF	Accounting Fees				Statement	3
Description	(a) Expenses Per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes		
OWEN J FLANAGAN & CO - ACCOUNTING & TAX	6,500.	3,250.	3,250.	0.		
To Form 990-PF, Pg 1, ln 16b	6,500.	3,250.	3,250.	0.		

Form 990-PF	Other Professional Fees				Statement	4
Description	(a) Expenses Per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes		
MORSE WILLIAMS - INV. ADVISORY	41,503.	41,503.	41,503.	0.		
SARAH CAMPICHIONI	200.	0.	0.	200.		
LISA WEILBACKER	1,075.	0.	0.	1,075.		
BEN GILLEN	150.	0.	0.	150.		

THE STEPPING STONES FOUNDATION

13-3031164

ANNE ACKERSON	425.	0.	0.	425.
To Form 990-PF, Pg 1, ln 16c	43,353.	41,503.	41,503.	1,850.

Form 990-PF Taxes Statement 5

Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes
NYS FILING	250.	0.	0.	250.
EXCISE	3,000.	0.	0.	3,000.
PAYROLL	9,338.	0.	0.	9,338.
To Form 990-PF, Pg 1, ln 18	12,588.	0.	0.	12,588.

Form 990-PF Other Expenses Statement 6

Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes
REPAIRS & MAINTENANCE	52,013.	0.	0.	52,876.
ARCHIVES	1,687.	0.	0.	1,687.
ANNUAL PICNIC	1,433.	0.	0.	1,433.
INSURANCE	13,554.	0.	0.	14,212.
OFFICE	13,831.	0.	0.	13,284.
BANK FEES	312.	312.	312.	0.
WEB SITE	665.	0.	0.	665.
PRODUCTS	4,566.	0.	0.	4,566.
BOARD	576.	0.	0.	504.
VISITORS & COMMUNITY RELATIONS	2,953.	0.	0.	2,953.
MARKETING SURVEY	3,424.	0.	0.	3,424.
STAFF DEVELOPMENT	80.	0.	0.	80.
To Form 990-PF, Pg 1, ln 23	95,094.	312.	312.	95,684.

Form 990-PF U.S. and State/City Government Obligations Statement 7

Description	U.S. Gov't	Other Gov't	Book Value	Fair Market Value
US GOVERNMENT BONDS STMT #13	X		507,548.	507,548.
Total U.S. Government Obligations			507,548.	507,548.
Total State and Municipal Government Obligations				
Total to Form 990-PF, Part II, line 10a			507,548.	507,548.

Form 990-PF Corporate Stock Statement 8

Description	Book Value	Fair Market Value
CORPORATE STOCK STMT #13	3,707,852.	3,707,852.
Total to Form 990-PF, Part II, line 10b	3,707,852.	3,707,852.

Form 990-PF Corporate Bonds Statement 9

Description	Book Value	Fair Market Value
CORPORATE BONDS STMT #13	1,558,459.	1,558,459.
Total to Form 990-PF, Part II, line 10c	1,558,459.	1,558,459.

Form 990-PF Depreciation of Assets Not Held for Investment Statement 10

Description	Cost or Other Basis	Accumulated Depreciation	Book Value
LAND & BUILDINGS	1,400,000.	0.	1,400,000.
BUILDING IMPROVEMENTS	90,147.	47,501.	42,646.
DRIVEWAY	5,000.	3,250.	1,750.
HEATING SYSTEM	8,100.	9,257.	-1,157.
EQUIPMENT	18,364.	18,364.	0.
EQUIPMENT	32,429.	32,429.	0.
EQUIPMENT	4,389.	4,389.	0.
Total To Fm 990-PF, Part II, ln 14	1,558,429.	115,190.	1,443,239.

Form 990-PF Part VIII - List of Officers, Directors Trustees and Foundation Managers Statement 11

Name and Address	Title and Avrg Hrs/Wk	Compen- sation	Employee Ben Plan Contrib	Expense Account
MAUREEN SULLIVAN NEW YORK, NY	TRUSTEE 1.00	0.	0.	0.
MICHAEL KELLY SHARON, CT	TREASURER 1.00	0.	0.	0.
WILLIAM BORCHERT OSSINING, NY	TRUSTEE 1.00	0.	0.	0.
ROBERT HOGUET NEW YORK, NY	PRESIDENT 1.00	0.	0.	0.
JULIE CLARK BOAK NEW YORK, NY	SECRETARY 1.00	0.	0.	0.
JOHNNY W. ALLEM WASHINGTON, DC	TRUSTEE 1.00	0.	0.	0.
EILEEN GIULIANI BEDFORD HILLS, NY	FORMER EXECUTIVE DIRECTOR 40.00	48,961.	4,378.	0.
DON HARRELL NEW YORK, NY	TRUSTEE 1.00	0.	0.	0.
ANNAH PERCH BEDFORD HILLS, NY	EXECUTIVE DIRECTOR 40.00	58,650.	6,406.	0.
Totals included on 990-PF, Page 6, Part VIII		107,611.	10,784.	0.

Morse, Williams & Company
REALIZED GAINS AND LOSSES
THE STEPPING STONES FOUNDATION

R2514

From 01-01-05 Through 12-31-05

SALES

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
long							
08-12-03	01-11-05	200.00	HSBC HLDGS PLC	12,618.80	16,411.32		3,792.52
08-12-03	01-14-05	300.00	HSBC HLDGS PLC	18,928.20	24,627.98		5,699.78
06-10-03	01-18-05	200.00	EMC CORP MASS	2,110.20	2,732.90		622.70
10-24-03	01-24-05	500.00	IRON MTN INC	12,282.67	14,113.53		1,830.86
01-09-03	01-24-05	200.00	QUALCOMM INC	3,884.40	7,490.75		3,606.35
03-12-03	01-27-05	500.00	QUALCOMM INC	8,666.00	18,062.40		9,396.40
12-16-03	02-01-05	500.00	APPLIED SIGNAL	10,740.50	14,653.37		3,912.87
01-17-02	02-03-05	500.00	RAYTHEON CO	16,336.45	19,145.54		2,809.09
03-12-03	02-03-05	500.00	RAYTHEON CO	12,407.00	19,145.54		6,738.54
06-26-02	02-04-05	500.00	TENN VALLEY AUTH SER B	12,811.00	12,792.57		-18.43
05-21-03	02-10-05	100.00	UNITEDHEALTH GRP	4,903.67	8,772.71		3,869.04
05-07-03	02-11-05	500.00	COMCAST CL A	14,527.00	15,487.48		960.48
02-07-02	02-14-05	100,000.00	FED FARM CR BK 6.120% Due 02-14-12	100,000.00	100,000.00		
03-08-95	02-15-05	50,000.00	US TSY NTS 7.500% Due 02-15-05	50,562.50	50,000.00		-562.50
01-06-03	02-25-05	100.00	CATERPILLAR INC	4,829.50	9,305.69		4,476.19
06-27-00	02-25-05	200.00	HOME DEPOT INC	9,965.50	7,931.73		-2,033.77
06-18-01	03-09-05	500.00	BOTTOMLINE TECH	2,023.20	6,137.91		4,114.71
10-10-03	03-10-05	500.00	AMERICAN EXPRESS	23,877.00	26,803.11		2,926.11
12-19-02	03-10-05	100.00	L3 COMM HLDGS	4,499.40	7,555.75		3,056.35
06-10-03	03-10-05	500.00	RSA SEC INC	5,232.00	8,159.18		2,927.18
11-11-03	03-10-05	500.00	RSA SEC INC	7,094.86	8,159.19		1,064.33
03-09-04	03-21-05	200.00	LANDSTAR SYS INC	3,871.33	7,038.76		3,167.43
12-05-02	03-28-05	150.00	ABIGAIL ADAMS NB	1,998.18	2,392.92		394.74
05-05-03	03-28-05	1,000.00	STORAGE TECH CP	25,380.89	31,316.96		5,936.07
01-18-01	04-13-05	300.00	DELL INC	7,184.70	11,169.78		3,985.08
07-24-03	04-13-05	500.00	JUNIPER NETWORKS	7,201.00	10,767.54		3,566.54
02-12-04	04-22-05	500.00	FIRST DATA	19,401.25	18,817.81		-583.44
03-09-04	04-22-05	1,000.00	LANDSTAR SYS INC	19,356.67	32,715.22		13,358.55
01-18-01	04-27-05	200.00	DELL INC	4,789.80	6,964.70		2,174.90
12-19-02	05-10-05	300.00	L3 COMM HLDGS	13,498.20	20,422.76		6,924.56
12-01-03	05-10-05	200.00	L3 COMM HLDGS	9,547.00	13,615.17		4,068.17

STMT #12

Morse, Williams & Company
REALIZED GAINS AND LOSSES
THE STEPPING STONES FOUNDATION

R2514

From 01-01-05 Through 12-31-05

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
07-24-02	05-13-05	200.00	MARATHON OIL	4,438.33	9,222.61		4,784.28
12-05-02	05-19-05	500.00	LACLEDE GRP INC	11,758.64	14,857.37		3,098.73
06-26-02	06-01-05	500.00	TENN VALLEY AUTH SER B	12,811.00	12,500.00		-311.00
10-23-03	06-01-05	500.00	TENN VALLEY AUTH SER B	13,052.00	12,500.00		-552.00
05-07-04	06-06-05	200.00	APPLIED MATLS INC	3,794.40	3,310.86		-483.54
06-11-02	06-14-05	50,000.00	FED FARM CR BK 6.000% Due 06-14-12	50,000.00	50,000.00		
05-16-03	07-06-05	200.00	3M CO	12,611.50	14,663.38		2,051.88
10-21-02	07-20-05	200.00	VERIZON COMM	7,110.80	6,826.71		-284.09
07-24-03	07-21-05	500.00	JUNIPER NETWORKS	7,201.00	11,942.49		4,741.49
10-03-01	08-02-05	1,000.00	TXI CAP TR I TR PFD	33,502.00	55,617.62		22,115.62
10-30-03	08-09-05	200.00	CITIGROUP INC	9,513.00	8,692.83		-820.17
12-16-03	08-09-05	300.00	CITIGROUP INC	14,383.00	13,039.25		-1,343.75
06-22-04	08-09-05	300.00	DRS TECH INC	8,970.40	15,570.34		6,599.94
05-03-04	08-17-05	0.50	SPRINT NEXTEL	9.57	13.12		3.55
10-18-01	08-23-05	200.00	PFIZER INC	8,382.80	4,997.06		-3,385.74
10-18-01	08-23-05	200.00	PFIZER INC	8,382.80	4,961.61		-3,421.19
05-03-04	09-15-05	267.00	SPRINT NEXTEL	5,087.23	6,683.85		1,596.62
12-05-02	09-15-05	670.00	ABIGAIL ADAMS NB	8,925.21	10,770.19		1,844.98
12-09-02	09-15-05	440.00	ABIGAIL ADAMS NB	5,987.90	7,072.96		1,085.06
08-12-03	09-15-05	240.00	ABIGAIL ADAMS NB	3,814.40	3,857.98		43.58
02-05-04	09-16-05	300.00	ROHM & HAAS	11,924.20	12,169.24		245.04
04-19-04	09-16-05	200.00	ROHM & HAAS	8,153.00	8,112.82		-40.18
05-03-04	09-30-05	747.00	SPRINT NEXTEL	14,232.81	17,533.59		3,300.78
10-21-02	10-11-05	200.00	VERIZON COMM	7,110.80	5,972.81		-1,137.99
01-07-03	10-11-05	100.00	VERIZON COMM	4,357.33	2,986.41		-1,370.92
07-26-02	10-17-05	300.00	PLUM CRK TIMBER	8,161.20	10,579.55		2,418.35
01-07-03	10-17-05	200.00	VERIZON COMM	8,714.67	5,893.03		-2,821.64
10-18-01	10-24-05	100.00	PFIZER INC	4,191.40	2,091.37		-2,100.03
04-27-04	10-24-05	100.00	PFIZER INC	3,694.50	2,091.37		-1,603.13
08-31-04	10-24-05	600.00	QUEST DIAGNOS	25,462.00	28,128.00		2,666.00
09-17-02	10-24-05	200.00	V F CORP	7,998.80	10,468.89		2,470.09
10-06-04	10-28-05	2,000.00	LUCENT TECH	6,562.00	5,485.64		-1,076.36

Morse, Williams & Company

REALIZED GAINS AND LOSSES

THE STEPPING STONES FOUNDATION

R2514

From 01-01-05 Through 12-31-05

Open Date	Close Date	Quantity	Security	Cost		Proceeds	Gain Or Loss	
				Basis	Long Term		Short Term	Long Term
10-18-04	10-28-05	2,000.00	LUCENT TECH	7,022.00		5,485.63		-1,536.37
05-21-03	10-28-05	500.00	VERISIGN INC	6,536.00		11,393.12		4,857.12
03-05-04	11-04-05	100,000.00	FED HOME LN MTG 5.200% Due 03-05-19	99,500.00		95,375.00		-4,125.00
09-07-00	11-09-05	500.00	BP PLC SPONS ADR	28,567.00		32,982.61		4,415.61
09-15-00	11-09-05	200.00	BP PLC SPONS ADR	10,909.50		13,193.05		2,283.55
10-10-00	11-09-05	300.00	BP PLC SPONS ADR	16,388.25		19,789.57		3,401.32
12-01-03	11-14-05	500.00	BRISTOL-MYERS SQUIBB	13,377.00		10,867.54		-2,509.46
01-06-03	11-14-05	200.00	CATERPILLAR INC	4,829.50		10,966.74		6,137.24
03-13-03	11-14-05	300.00	VERIZON COMM	10,273.00		9,382.76		-890.24
06-10-04	11-14-05	200.00	VERIZON COMM	7,305.00		6,255.18		-1,049.82
11-12-01	11-22-05	500.00	BOTTOMLINE TECH	4,266.00		5,956.07		1,690.07
01-25-99	11-23-05	50,000.00	CIT GRP HLDGS SR	50,864.00		50,000.00		-864.00
02-14-02	11-23-05	50,000.00	5.910% Due 11-23-05 CIT GRP HLDGS SR	47,502.00		50,000.00		2,498.00
11-12-01	12-06-05	500.00	BOTTOMLINE TECH	4,266.00		6,147.34		1,881.34
08-13-04	12-14-05	1,000.00	BOTTOMLINE TECH	8,251.00		12,407.52		4,156.52
04-27-04	12-15-05	100.00	PFIZER INC	3,694.50		2,271.65		-1,422.85
06-02-04	12-15-05	300.00	PFIZER INC	10,738.00		6,814.96		-3,923.04
03-23-01	12-19-05	200.00	INTEL CORP	5,841.80		5,233.11		-608.69
11-14-01	12-19-05	100.00	INTEL CORP	3,055.40		2,616.56		-438.84
07-31-02	12-19-05	500.00	PLUM CRK TIMBER	14,247.00		18,474.22		4,227.22
06-10-03	12-20-05	1,000.00	EMC CORP MASS	10,551.00		13,348.83		2,797.83
				1,158,811.49		1,320,284.68		161,473.19
short								
10-14-04	01-07-05	200.00	COOPER INDS LTD	12,026.44		12,819.62	793.18	
10-25-04	01-07-05	100.00	COOPER INDS LTD	6,145.00		6,409.81	264.81	
05-20-04	01-10-05	500.00	ALLTEL CORP	25,062.00		27,253.20	2,191.20	
06-07-04	01-14-05	200.00	HSBC HLDGS PLC	15,283.00		16,418.66	1,135.66	
02-03-04	01-18-05	200.00	TEVA PHARM	6,450.13		5,532.81	-917.32	
10-12-04	01-24-05	500.00	MICROSOFT CORP	13,992.00		12,797.57	-1,194.43	
02-03-04	01-24-05	800.00	TEVA PHARM	25,800.50		21,913.67	-3,886.83	

Morse, Williams & Company
REALIZED GAINS AND LOSSES
THE STEPPING STONES FOUNDATION

R2514

From 01-01-05 Through 12-31-05

Open Date	Close Date	Quantity	Security	Cost		Proceeds	Gain Or Loss	
				Basis	Cost		Short Term	Long Term
09-08-04	01-24-05	200.00	TEVA PHARM	5,633.00		5,478.42	-154.58	
09-09-04	01-26-05	500.00	RF MICRODEVICES	2,990.67		2,531.88	-458.79	
09-09-04	01-27-05	1,000.00	RF MICRODEVICES	5,981.33		5,207.82	-773.51	
06-07-04	02-01-05	2,000.00	NIC INC	12,262.27		9,287.26	-2,975.01	
03-22-04	02-01-05	500.00	W P CAREY & CO	15,175.50		16,122.46	946.96	
10-28-04	02-03-05	1,000.00	AVAYA INC	14,512.00		13,877.54	-634.46	
11-05-04	02-09-05	500.00	AVAYA INC	7,732.00		6,538.78	-1,193.22	
11-05-04	02-09-05	500.00	AVAYA INC	7,742.00		6,538.78	-1,203.22	
08-13-04	02-11-05	3,000.00	BROCADE COMM	14,522.00		17,757.91	3,235.91	
10-28-04	02-11-05	1,000.00	BROCADE COMM	6,742.00		5,919.30	-822.70	
06-16-04	02-18-05	2,000.00	NIC INC	12,602.00		9,332.73	-3,269.27	
11-29-04	02-22-05	500.00	RADIOHACK	16,572.00		14,442.52	-2,129.48	
06-24-04	02-25-05	200.00	AMAZON INC	10,285.80		6,973.04	-3,312.76	
05-10-04	02-25-05	1,000.00	PRIVATE BUSINESS	2,381.40		2,133.92	-247.48	
12-01-04	03-01-05	300.00	BIOGEN IDEC INC	18,198.94		11,921.11	-6,277.83	
04-12-04	03-02-05	100.00	FEDEX CORP	7,497.40		9,680.68	2,183.28	
10-29-04	03-02-05	600.00	REPUBLIC SVCS	18,530.00		19,227.36	697.36	
05-20-04	03-04-05	200.00	CON ED INC	7,497.87		8,563.49	1,065.62	
06-10-04	03-04-05	300.00	CON ED INC	11,719.00		12,845.23	1,126.23	
04-19-04	03-09-05	200.00	AVID TECH INC	10,420.53		13,280.96	2,860.43	
03-23-04	03-11-05	500.00	W P CAREY & CO	15,187.00		16,454.95	1,267.95	
01-14-05	03-21-05	500.00	SAFENET INC.	17,697.95		14,582.51	-3,115.44	
12-09-04	03-22-05	200.00	BIOGEN IDEC INC	13,164.98		7,585.94	-5,579.04	
12-13-04	03-28-05	100.00	ST JUDE MED	4,132.05		3,667.87	-464.18	
04-19-04	03-29-05	100.00	AVID TECH INC	5,210.26		5,295.04	84.78	
04-22-04	03-29-05	200.00	AVID TECH INC	10,916.19		10,590.08	-326.11	
09-27-04	03-29-05	300.00	HUMANA INC	5,804.70		9,328.69	3,523.99	
05-10-04	03-29-05	3,000.00	PRIVATE BUSINESS	7,144.20		6,233.79	-910.41	
08-26-04	03-30-05	300.00	MASCO CORP	9,687.00		10,225.66	538.66	
08-26-04	04-04-05	300.00	MASCO CORP	9,687.00		10,203.07	516.07	
09-02-04	04-12-05	200.00	POSCO SPONS ADR	7,450.25		9,532.59	2,082.34	
10-13-04	04-15-05	300.00	INFOSYS TECH	18,070.00		17,804.92	-265.08	
05-03-04	04-21-05	200.00	NEXTEL COMM	4,832.40		5,663.76	831.36	
12-13-04	04-21-05	500.00	ST JUDE MED	20,660.27		19,772.17	-888.10	
09-27-04	04-22-05	200.00	HUMANA INC	3,869.80		6,176.74	2,306.94	

Morse, Williams & Company
REALIZED GAINS AND LOSSES
THE STEPPING STONES FOUNDATION
R2514

From 01-01-05 Through 12-31-05

Open Date	Close Date	Quantity	Security	Cost		Proceeds	Gain Or Loss	
				Basis	Short Term		Long Term	
10-25-04	04-25-05	600.00	LIZ CLAIBORNE	23,707.70	-1,188.73	22,518.97		
06-24-04	04-27-05	100.00	AMAZON INC	5,142.90	-2,089.22	3,053.68		
12-15-04	04-27-05	200.00	AMAZON INC	8,118.76	-2,011.39	6,107.37		
06-22-04	04-27-05	200.00	DRS TECH INC	5,980.26	2,768.36	8,748.63		
10-22-04	04-28-05	100.00	INFOSYS TECH	6,530.00	-809.57	5,720.43		
03-16-05	04-28-05	200.00	INFOSYS TECH	15,448.07	-4,007.22	11,440.85		
07-15-04	05-03-05	500.00	TRANSOCEAN INC	15,106.00	8,415.53	23,521.53		
10-13-04	05-06-05	300.00	CELGENE CORP	9,417.63	1,667.97	11,085.61		
01-07-05	05-11-05	200.00	WYETH	8,407.00	519.12	8,926.12		
01-10-05	05-11-05	300.00	WYETH	12,696.00	693.18	13,389.18		
01-18-05	05-11-05	200.00	WYETH	8,919.00	7.12	8,926.12		
04-05-05	05-13-05	200.00	CLEVELAND CLIFFS	14,894.71	-4,130.17	10,764.54		
01-18-05	05-16-05	500.00	BARNES & NOBLE	16,473.00	734.27	17,207.27		
02-11-05	05-16-05	300.00	PHELPS DODGE CORP	27,710.06	-3,719.39	23,990.67		
02-01-05	05-18-05	500.00	PSYCHIATRIC SLNS	18,409.50	812.69	19,222.19		
01-24-05	05-19-05	200.00	BLACKBOARD INC	3,503.01	156.68	3,659.69		
03-15-05	05-19-05	500.00	NVIDIA CORP	13,019.00	-150.79	12,868.21		
03-28-05	05-19-05	300.00	NVIDIA CORP	7,633.00	87.92	7,720.92		
03-04-05	05-19-05	500.00	NICOR INC	18,910.83	671.34	19,582.17		
01-24-05	05-20-05	1,000.00	ENGELHARD CORP	30,055.71	-498.95	29,556.76		
03-04-05	05-25-05	100.00	NICOR INC	3,782.17	40.66	3,822.83		
08-13-04	05-26-05	100.00	AETNA US HLTHCR	4,546.25	3,110.12	7,656.37		
09-10-04	05-26-05	500.00	NETWORK APPL	11,156.00	3,371.99	14,527.99		
02-18-05	06-06-05	50,000.00	US TSY NTS	49,427.00	-257.12	49,169.88		
			3.000% Due 11-15-07					
03-03-05	06-23-05	200.00	COOPER INDS LTD	14,337.00	-1,302.34	13,034.66		
02-03-05	06-23-05	200.00	BOEING CO	10,579.36	1,935.11	12,514.47		
03-10-05	06-23-05	1,000.00	GAP INC	22,059.24	-1,567.65	20,491.59		
12-09-04	07-06-05	200.00	MEDCO HEALTH	7,844.80	2,201.91	10,046.71		
07-21-04	07-13-05	500.00	COSTCO WHSL	20,857.00	1,898.25	22,755.25		
01-27-05	07-18-05	500.00	ARCH COAL	18,351.38	7,673.85	26,025.23		
09-09-04	07-25-05	600.00	JB HUNT TRANS	11,032.00	691.79	11,723.79		
05-18-05	07-25-05	400.00	JB HUNT TRANS	8,273.80	-457.94	7,815.86		
09-27-04	08-02-05	300.00	HUMANA INC	5,804.70	6,997.33	12,802.03		
09-10-04	08-09-05	500.00	NETWORK APPL	11,156.00	677.29	11,833.29		

Morse, Williams & Company
REALIZED GAINS AND LOSSES
THE STEPPING STONES FOUNDATION

R2514

From 01-01-05 Through 12-31-05

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
06-23-05	08-26-05	200.00	DEERE & CO	13,470.33	12,669.16	-801.17	
03-21-05	09-09-05	200.00	USEC INC	3,590.15	2,185.32	-1,404.83	
03-21-05	09-13-05	300.00	USEC INC	5,385.22	3,214.42	-2,170.80	
03-21-05	09-14-05	500.00	USEC INC	8,975.37	4,897.34	-4,078.03	
01-14-05	09-15-05	150.00	ABIGAIL ADAMS NB	2,758.50	2,411.23	-347.27	
07-13-05	09-28-05	200.00	ORACLE CORP	2,799.33	2,410.91	-388.42	
07-13-05	09-30-05	1,000.00	ORACLE CORP	13,996.65	12,278.68	-1,717.97	
10-06-04	09-30-05	253.00	SPRINT NEXTEL	5,137.00	5,938.42	801.42	
07-08-05	10-06-05	500.00	USEC INC	7,567.00	4,952.79	-2,614.21	
08-26-05	10-11-05	300.00	ALASKA AIR GRP	10,276.00	8,563.64	-1,712.36	
12-10-04	10-28-05	1,000.00	LUCENT TECH	3,892.00	2,742.82	-1,149.18	
04-27-05	11-02-05	200.00	CIGNA CORP	18,043.00	21,384.10	3,341.10	
12-09-04	11-02-05	300.00	MEDCO HEALTH	11,767.20	14,092.40	2,325.20	
11-09-05	11-22-05	600.00	PATTERSON UTI	20,918.00	19,503.18	-1,414.82	
01-06-05	11-29-05	100.00	ABBOTT LABS	4,690.00	3,784.98	-905.02	
11-22-05	12-02-05	500.00	MGI PHARMA INC.	10,666.44	9,463.10	-1,203.34	
05-25-05	12-02-05	500.00	PROGRESS ENERGY	21,967.00	22,233.06	266.06	
06-01-05	12-02-05	500.00	PROGRESS ENERGY	22,351.84	22,233.07	-118.77	
07-18-05	12-06-05	200.00	FOREST LABS INC	8,596.40	7,854.95	-741.45	
11-02-05	12-06-05	500.00	LANDRY'S REST	13,940.00	13,497.43	-442.57	
04-18-05	12-14-05	500.00	GATX CORP	16,045.64	18,366.73	2,321.09	
04-22-05	12-14-05	500.00	GATX CORP	16,745.00	18,366.73	1,621.73	
07-18-05	12-27-05	300.00	FOREST LABS INC	12,894.60	12,464.92	-429.68	
				1,193,032.36	1,191,664.55	-1,367.81	
TOTAL GAINS						83,461.83	202,791.37
TOTAL LOSSES						-84,829.64	-41,318.18
TOTAL REALIZED GAIN/LOSS						-1,367.81	161,473.19

PERSHING CLASS ACTION

11,292.45

STMT # 12

Morse, Williams & Company
 PORTFOLIO SUMMARY
THE STEPPING STONES FOUNDATION

R2514
 December 31, 2005

Security Type	Total Cost	Market Value	Pct. Assets	Cur. Yield	Est. Annual Income
Cash & Equiv. CASH EQUIV.	25,815.84	25,815.84	0.4	3.2	826.11
	25,815.84	25,815.84	0.4	3.2	826.11
Fixed Income					
GOVT BONDS	474,435.94	507,548.06	8.7	5.8	29,593.75
CORPORATE BONDS	1,239,759.51	1,224,904.20	21.0	6.8	83,238.75
FOREIGN BONDS	98,397.50	119,868.00	2.1	6.3	7,500.00
PREFERRED STOCK	85,279.42	87,790.00	1.5	7.6	6,641.00
Accrued Interest		29,406.36	0.5		
	1,897,872.37	1,969,516.62	33.8	6.5	126,973.50
Equities					
CONVERTIBLE BND	231,906.50	213,687.50	3.7	6.0	12,718.75
CONVERTIBLE PFD	158,344.00	194,855.00	3.3	5.6	10,891.00
COMMON STOCK					
Basic Materials	161,574.22	192,854.00	3.3	2.6	5,056.40
Capital Goods	365,817.15	409,990.00	7.0	1.8	7,189.50
Consumer Cyclical	330,578.62	392,304.00	6.7	1.1	4,244.00
Consumer Staples	320,920.21	443,211.00	7.6	1.0	4,572.00
Energy	245,302.33	399,855.00	6.9	2.8	11,148.00
Financial	272,142.95	390,066.00	6.7	3.5	13,598.20
Services	187,577.16	149,770.82	2.6	0.7	992.00
Technology	347,391.06	425,061.00	7.3	0.6	2,462.50
Transportation	170,706.02	170,302.00	2.9	3.2	5,518.00
Utilities	151,299.63	182,822.00	3.1	4.2	7,730.00
Diversified	43,345.50	46,500.00	0.8	2.2	1,008.00
Real Estate	80,463.00	90,299.50	1.5	5.4	4,884.40
	2,677,117.86	3,293,035.32	56.5	2.1	68,403.00
MUTUAL FUNDS					
WARRANTS	111,364.56	132,170.66	2.3	1.1	1,495.44
Accrued Interest	0.00	0.00	0.0	0.0	0.00
	3,178,732.92	3,835,866.36	65.8	2.4	93,508.19

Accrued Interest
 29406.36
2117.88
 31,524.24

Total Value 5,831,198.82
 Less int 31,524.24
 5,799,674.58

Cost 5,102,421.13
 Valuation 697,253.45

TOTAL PORTFOLIO 5,102,421.13 5,831,198.82 100.0% 3.8% 221,307.80

Morse, Williams & Company
PORTFOLIO APPRAISAL
THE STEPPING STONES FOUNDATION

R2514

December 31, 2005

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
	CASH EQUIV.		25,815.84		25,815.84	0.4	826.11	3.2
	CASH ACCOUNT							
	GOVT BONDS							
100.56	US TSY NTS 7.000% Due 07-15-06	100.56	100,562.50	101.32	101,324.00	1.7	7,000.00	6.9
99.09	US TSY NTS 6.125% Due 08-15-07	99.09	74,320.31	102.65	76,986.00	1.3	4,593.75	6.0
100.00	FED HOME LN BK 5.000% Due 08-15-08	100.00	125,000.00	99.87	124,843.75	2.1	6,250.00	5.0
100.00	FED HOME LN BK 5.250% Due 02-17-15	100.00	75,000.00	98.34	73,757.81	1.3	3,937.50	5.3
98.73	US TSY BDS 7.500% Due 11-15-16	98.73	49,365.63	125.61	62,804.50	1.1	3,750.00	6.0
100.37	US TSY BDS 8.125% Due 08-15-19	100.37	50,187.50	135.66	67,832.00	1.2	4,062.50	6.0
	Accrued Interest				9,254.43	0.2		
			474,435.94		516,802.49	8.9	29,593.75	5.8
	CORPORATE BONDS							
115.10	ARKLA INC 8.900% Due 12-15-06	115.10	92,080.00	103.40	82,719.20	1.4	7,120.00	8.6
99.75	GTE CALIF INC 7.650% Due 03-15-07	99.75	99,750.00	102.49	102,487.00	1.8	7,650.00	7.5
97.50	AMGEN INC 6.500% Due 12-01-07	97.50	48,750.00	103.03	51,514.00	0.9	3,250.00	6.3
100.94	BANKBOSTON NA 6.375% Due 03-25-08	100.94	100,938.00	103.17	103,168.00	1.8	6,375.00	6.2
96.25	AT&T CORP 6.000% Due 03-15-09	96.25	96,250.00	102.15	102,150.00	1.8	6,000.00	5.9
100.02	FORD MTR CR CO 7.375% Due 10-28-09	100.02	150,030.00	88.69	133,033.50	2.3	11,062.50	8.3
100.00	HOUSEHOLD FIN 4.500% Due 09-15-10	100.00	50,000.00	97.02	48,511.00	0.8	2,250.00	4.6
97.97	MOTOROLA INC 7.625% Due 11-15-10	97.97	195,937.50	111.16	222,326.00	3.8	15,250.00	6.9
103.44	BOEING CAP CORP 6.100% Due 03-01-11	103.44	129,306.25	105.36	131,702.50	2.3	7,625.00	5.8
100.00	CATERPILLAR FINL 5.000% Due 11-15-12	100.00	50,000.00	97.13	48,564.00	0.8	2,500.00	5.1
96.97	CB HARRIS CORP 5.000% Due 10-01-15	96.97	96,967.76	96.62	96,624.00	1.7	5,000.00	5.2

Morse, Williams & Company
PORTFOLIO APPRAISAL
THE STEPPING STONES FOUNDATION

R2514

December 31, 2005

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
50,000.00	GE CAP	99.00	49,500.00	96.21	48,105.00	0.8	2,500.00	5.2
	5.000% Due 12-18-18							
75,000.00	FORD MTR CO DEL	107.00	80,250.00	72.00	54,000.00	0.9	6,656.25	12.3
	8.875% Due 01-15-22							
	Accrued Interest		18,276.93			0.3		
			<u>1,239,759.51</u>		<u>1,243,181.13</u>	<u>21.3</u>	<u>83,238.75</u>	<u>6.8</u>
FOREIGN BONDS								
100,000.00	HYDRO-QUEBEC	98.40	98,397.50	119.87	119,868.00	2.1	7,500.00	6.3
	7.500% Due 04-01-16							
	Accrued Interest		98,397.50		1,875.00	0.0		
			<u>98,397.50</u>		<u>121,743.00</u>	<u>2.1</u>	<u>7,500.00</u>	<u>6.3</u>
PREFERRED STOCK								
1,500.00	AEGON NV PERP CAP SECS	25.25	37,868.17	25.26	37,890.00	0.6	2,391.00	6.3
5,000.00	PMA CAP CORP MONTHLY INC SR NT	9.48	47,411.25	9.98	49,900.00	0.9	4,250.00	8.5
			85,279.42		87,790.00	1.5	6,641.00	7.6
CONVERTIBLE BND								
75,000.00	VEECO INSTRUMENTS	89.79	67,344.00	93.87	70,406.25	1.2	3,093.75	4.4
	4.125% Due 12-21-08							
175,000.00	SPACEHAB INC	94.04	164,562.50	81.87	143,281.25	2.5	9,625.00	6.7
	5.500% Due 10-15-10							
	Accrued Interest		231,906.50		2,117.88	0.0		
			<u>231,906.50</u>		<u>215,805.38</u>	<u>3.7</u>	<u>12,718.75</u>	<u>6.0</u>
CONVERTIBLE PFD								
1,000.00	INTL SHIPHOLDING	50.35	50,350.00	50.13	50,130.00	0.9	3,000.00	6.0
1,500.00	METLIFE INC 6.375% SER B	28.70	43,052.00	27.55	41,325.00	0.7	2,391.00	5.8
2,000.00	TXI CAP TR I TR PFD	32.47	64,942.00	51.70	103,400.00	1.8	5,500.00	5.3
			158,344.00		194,855.00	3.3	10,891.00	5.6
COMMON STOCK								
Basic Materials								
1,000.00	BHP BILLITON LTD	27.46	27,462.00	33.42	33,420.00	0.6	560.00	1.7
1,000.00	COMMERCL METALS	17.09	17,095.00	37.54	37,540.00	0.6	240.00	0.6
700.00	DOW CHEM CO	44.33	31,031.72	43.82	30,674.00	0.5	938.00	3.1
1,000.00	LYONDELL CHEM	27.73	27,730.00	23.82	23,820.00	0.4	900.00	3.8
800.00	POSCO SPONS ADR	45.54	36,433.50	49.51	39,608.00	0.7	1,394.40	3.5
1,600.00	RPM INTL INC	13.64	21,822.00	17.37	27,792.00	0.5	1,024.00	3.7
			<u>161,574.22</u>		<u>192,854.00</u>	<u>3.3</u>	<u>5,056.40</u>	<u>2.6</u>

Morse, Williams & Company
PORTFOLIO APPRAISAL
THE STEPPING STONES FOUNDATION

R2514

December 31, 2005

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
Capital Goods								
1,500.00	APPLIED MATLS INC	18.24	27,367.08	17.94	26,910.00	0.5	180.00	0.7
600.00	BOEING CO	52.90	31,738.07	70.24	42,144.00	0.7	600.00	1.4
1,000.00	CATERPILLAR INC	32.03	32,029.00	57.77	57,770.00	1.0	1,000.00	1.7
500.00	CEMEX SPONS ADR	55.82	27,910.00	59.33	29,665.00	0.5	599.50	2.0
1,000.00	CUBIC CORP	18.31	18,312.00	19.96	19,960.00	0.3	180.00	0.9
600.00	D R HORTON INC	37.50	22,502.00	35.73	21,438.00	0.4	216.00	1.0
300.00	DEERE & CO	67.35	20,205.50	68.11	20,433.00	0.4	372.00	1.8
400.00	EATON CORP	61.31	24,524.00	67.09	26,836.00	0.5	496.00	1.8
400.00	EMERSON ELEC CO	67.25	26,902.00	74.70	29,880.00	0.5	712.00	2.4
900.00	GENERAL ELECTRIC	38.50	34,653.00	35.05	31,545.00	0.5	792.00	2.5
600.00	INGERSOLL RAND	35.61	21,364.00	40.37	24,222.00	0.4	342.00	1.4
500.00	LOCKHEED MARTIN	61.62	30,809.86	63.63	31,815.00	0.5	600.00	1.9
1,000.00	LOUISIANA PAC	27.08	27,082.00	27.47	27,470.00	0.5	500.00	1.8
300.00	WEYERHAEUSER CO	68.06	20,418.64	66.34	19,902.00	0.3	600.00	3.0
			365,817.15		409,990.00	7.0	7,189.50	1.8
Consumer Cyclical								
600.00	ABERCROMBIE	57.88	34,728.00	65.18	39,108.00	0.7	300.00	0.8
500.00	BED BATH & BYND	41.80	20,898.70	36.15	18,075.00	0.3	0.00	0.0
600.00	COACH INC	29.57	17,744.00	33.34	20,004.00	0.3	0.00	0.0
1,000.00	DARDEN REST	31.29	31,294.69	38.88	38,880.00	0.7	400.00	1.0
1,000.00	HOME DEPOT INC	35.41	35,405.50	40.48	40,480.00	0.7	400.00	1.0
300.00	JC PENNEY CO	56.40	16,919.08	55.60	16,680.00	0.3	150.00	0.9
1,000.00	MCDONALDS CORP	28.97	28,974.00	33.72	33,720.00	0.6	670.00	2.0
1,000.00	SYSCO CORP	27.07	27,070.70	31.05	31,050.00	0.5	680.00	2.2
500.00	TARGET CORP	44.77	22,387.00	54.97	27,485.00	0.5	200.00	0.7
1,000.00	TIFFANY & CO	30.59	30,585.75	38.29	38,290.00	0.7	320.00	0.8
800.00	V F CORP	38.91	31,125.20	55.34	44,272.00	0.8	864.00	2.0
1,000.00	WALGREEN CO	33.45	33,446.00	44.26	44,260.00	0.8	260.00	0.6
			330,578.62		392,304.00	6.7	4,244.00	1.1
Consumer Staples								
300.00	ABBOTT LABS	46.50	13,949.00	39.43	11,829.00	0.2	330.00	2.8
500.00	AMGEN INC	55.17	27,587.00	78.86	39,430.00	0.7	0.00	0.0
600.00	BIOMET INC	35.79	21,473.82	36.57	21,942.00	0.4	150.00	0.7
500.00	BRISTOL-MYERS SQUIBB	25.94	12,972.00	22.98	11,490.00	0.2	560.00	4.9
500.00	CELGENE CORP	32.53	16,267.04	64.80	32,400.00	0.6	0.00	0.0
300.00	GENERAL MILLS INC	47.13	14,137.72	49.32	14,796.00	0.3	396.00	2.7
1,000.00	GENZYME CORP	38.73	38,734.35	70.78	70,780.00	1.2	0.00	0.0
1,000.00	GILEAD SCIENCES	35.75	35,751.00	52.63	52,630.00	0.9	0.00	0.0
1,000.00	HCA INC	45.47	45,471.27	50.50	50,500.00	0.9	600.00	1.2
700.00	HUMANA INC	20.99	14,689.80	54.33	38,031.00	0.7	0.00	0.0

Morse, Williams & Company
PORTFOLIO APPRAISAL
THE STEPPING STONES FOUNDATION
R2514

December 31, 2005

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
1,000.00	JOHNSON & JOHN	45.89	45,888.25	60.10	60,100.00	1.0	1,320.00	2.2
800.00	MERCK & CO INC	28.25	22,601.00	31.81	25,448.00	0.4	1,216.00	4.8
500.00	VERTEX PHARM	22.80	11,397.96	27.67	13,835.00	0.2	0.00	0.0
			320,920.21		443,211.00	7.6	4,572.00	1.0
Energy								
500.00	APACHE CORP	44.13	22,066.00	68.52	34,260.00	0.6	200.00	0.6
500.00	ARCH COAL	39.28	19,642.00	79.50	39,750.00	0.7	160.00	0.4
10,000.00	CDN SUPERIOR ENG	2.01	20,136.16	2.03	20,300.00	0.3	0.00	0.0
1,000.00	CHEVRONTEXACO	41.84	41,837.00	56.77	56,770.00	1.0	1,800.00	3.2
1,000.00	CROSS TIMBERS	26.12	26,124.50	48.90	48,900.00	0.8	5,220.00	10.7
1,200.00	EXXON MOBIL	41.20	49,437.00	56.17	67,404.00	1.2	1,392.00	2.1
1,800.00	MARATHON OIL	24.79	44,623.67	60.97	109,746.00	1.9	2,376.00	2.2
300.00	NABORS INDS LTD	71.45	21,436.00	75.75	22,725.00	0.4	0.00	0.0
			245,302.33		399,855.00	6.9	11,148.00	2.8
Financial								
500.00	AETNA US HLTHCR	48.52	24,261.47	94.31	47,155.00	0.8	20.00	0.0
700.00	BP PRUDHOE BAY RYLTY TST	39.67	27,771.57	66.60	46,620.00	0.8	6,388.20	13.7
800.00	CIT GRP INC	40.69	32,549.85	51.78	41,424.00	0.7	512.00	1.2
300.00	HSBC HLDGS PLC	82.09	24,626.00	80.47	24,141.00	0.4	1,035.00	4.3
400.00	LOEWS CORP	72.90	29,159.55	94.85	37,940.00	0.7	240.00	0.6
1,000.00	UNITEDHEALTH GRP	24.52	24,518.33	62.14	62,140.00	1.1	15.00	0.0
2,000.00	US BANCORP	21.08	42,158.18	29.89	59,780.00	1.0	2,400.00	4.0
600.00	WACHOVIA CORP	52.94	31,767.00	52.86	31,716.00	0.5	1,224.00	3.9
900.00	WASH MUTUAL	39.26	35,331.00	43.50	39,150.00	0.7	1,764.00	4.5
			272,142.95		390,066.00	6.7	13,598.20	3.5
Services								
600.00	CINTAS CORP	33.20	19,923.00	41.18	24,708.00	0.4	192.00	0.8
500.00	EBAY INC	39.16	19,580.96	43.25	21,625.00	0.4	0.00	0.0
42,289.00	ELOT INC DEL	1.90	80,500.00	0.78	32,985.42	0.6	0.00	0.0
40.00	GOOGLE INC	429.70	17,188.20	414.86	16,594.40	0.3	0.00	0.0
1,000.00	WASTE MGMT	30.14	30,142.00	30.35	30,350.00	0.5	800.00	2.6
600.00	YAHOO INC	33.74	20,243.00	39.18	23,508.00	0.4	0.00	0.0
			187,577.16		149,770.82	2.6	992.00	0.7
Technology								
1,500.00	AMERICA MOVIL	17.17	25,755.82	29.26	43,890.00	0.8	151.50	0.3
1,000.00	ANALOG DEVICES	31.35	31,346.40	35.87	35,870.00	0.6	400.00	1.1
1,000.00	BLACKBOARD INC	17.23	17,225.02	28.98	28,980.00	0.5	0.00	0.0
1,000.00	DELL INC	28.43	28,427.75	29.99	29,990.00	0.5	0.00	0.0
1,000.00	EMC CORP MASS	11.01	11,009.80	13.62	13,620.00	0.2	0.00	0.0

Morse, Williams & Company
PORTFOLIO APPRAISAL
THE STEPPING STONES FOUNDATION

R2514

December 31, 2005

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
1,000.00	INTEL CORP	26.97	26,970.01	24.96	24,960.00	0.4	320.00	1.3
1,000.00	JUNIPER NETWORKS	25.67	25,669.00	22.30	22,300.00	0.4	0.00	0.0
1,000.00	MEMC ELEC MAT	20.87	20,873.92	22.17	22,170.00	0.4	0.00	0.0
700.00	MICROSOFT CORP	25.84	18,086.00	26.15	18,305.00	0.3	224.00	1.2
1,000.00	MOTOROLA INC	17.61	17,612.00	22.59	22,590.00	0.4	160.00	0.7
600.00	QUALCOMM INC	20.56	12,336.00	43.08	25,848.00	0.4	216.00	0.8
500.00	SAP SPONS ADR	39.91	19,957.00	45.07	22,535.00	0.4	137.00	0.6
2,200.00	SEAGATE TECH	18.75	41,256.34	19.99	43,978.00	0.8	704.00	1.6
1,500.00	TEXAS INSTR	23.49	35,228.00	32.07	48,105.00	0.8	150.00	0.3
1,000.00	VERISIGN INC	15.64	15,638.00	21.92	21,920.00	0.4	0.00	0.0
			347,391.06		425,061.00	7.3	2,462.50	0.6
Transportation								
300.00	BURLINGTON NTHRN	52.07	15,622.29	70.82	21,246.00	0.4	240.00	1.1
400.00	CUMMINS INC	87.77	35,109.00	89.73	35,892.00	0.6	480.00	1.3
2,000.00	DIANA SHIPPING	15.77	31,542.98	12.86	25,720.00	0.4	2,894.00	11.3
400.00	FEDEX CORP	74.97	29,989.60	103.39	41,356.00	0.7	128.00	0.3
800.00	SKY WEST INC	27.27	21,819.94	26.86	21,488.00	0.4	96.00	0.4
2,000.00	TOP TANKERS	18.31	36,622.21	12.30	24,600.00	0.4	1,680.00	6.8
			170,706.02		170,302.00	2.9	5,518.00	3.2
Utilities								
1,300.00	ALLIANT ENERGY	16.40	21,326.00	28.04	36,452.00	0.6	1,365.00	3.7
1,500.00	AT & T INC	22.93	34,393.33	24.49	36,735.00	0.6	1,935.00	5.3
1,500.00	LACLEDE GRP INC	24.22	36,324.36	29.21	43,815.00	0.8	2,070.00	4.7
1,000.00	NSTAR	23.80	23,801.00	28.70	28,700.00	0.5	1,160.00	4.0
1,000.00	PG & E CORP	35.45	35,454.94	37.12	37,120.00	0.6	1,200.00	3.2
			151,299.63		182,822.00	3.1	7,730.00	4.2
Diversified								
600.00	3M CO	72.24	43,345.50	77.50	46,500.00	0.8	1,008.00	2.2
Real Estate								
500.00	PLUM CRK TIMBER	26.70	13,349.00	36.05	18,025.00	0.3	760.00	4.2
1,050.00	RAYONIER INC	32.67	34,304.00	39.85	41,842.50	0.7	1,974.00	4.7
1,200.00	W P CAREY & CO	27.34	32,810.00	25.36	30,432.00	0.5	2,150.40	7.1
			80,463.00		90,299.50	1.5	4,884.40	5.4
			2,677,117.86		3,293,035.32	56.5	68,403.00	2.1
MUTUAL FUNDS								
1,000.000	H&Q HEALTHCARE FD SH BEN INT	18.16	18,161.00	17.93	17,930.00	0.3	1,480.00	8.3
1,187.590	TOCQUEVILLE TR	32.78	38,931.56	40.80	48,453.67	0.8	15.44	0.0

Morse, Williams & Company
PORTFOLIO APPRAISAL
THE STEPPING STONES FOUNDATION

R2514

December 31, 2005

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
7,813.181	WALL STREET FUND	6.95	54,272.00	8.42	65,786.98	1.1	0.00	0.0
			111,364.56		132,170.66	2.3	1,495.44	1.1
	WARRANTS							
8,229	WTS ELOT INC	0.00	0.00	0.00	0.00	0.0	0.00	0.0
	TOTAL PORTFOLIO		5,102,421.15		5,831,198.82	100.0	221,307.80	3.8

STMT # 13

Underpayment of Estimated Tax by Corporations

Department of the Treasury
Internal Revenue Service

▶ See separate instructions
▶ Attach to the corporation's tax return.

Form **990-PF**

2005

Name **THE STEPPING STONES FOUNDATION** Employer identification number **13-3031164**

Note: Generally, the corporation is not required to file Form 2220 (see Part II below for exceptions) because the IRS will figure any penalty owed and bill the corporation. However, the corporation may still use Form 2220 to figure the penalty. If so, enter the amount from page 2, line 34 on the estimated tax penalty line of the corporation's income tax return, but do not attach Form 2220.

Part I Required Annual Payment

1	Total tax (see instructions)		1	3,477.
2a	Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 1			
2b	Look-back interest included on line 1 under section 460(b)(2) for completed long-term contracts or of section 167(g) for depreciation under the income forecast method			
2c	Credit for Federal tax paid on fuels (see instructions)			
2d	Total. Add lines 2a through 2c			
3	Subtract line 2d from line 1. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty.		3	3,477.
4	Enter the tax shown on the corporation's 2004 income tax return (see instructions). Caution: If the tax is zero or the tax year was for less than 12 months, skip this line and enter the amount from line 3 on line 5.		4	1,890.
5	Required Annual Payment. Enter the smaller of line 3 or line 4. If the corporation is required to skip line 4, enter the amount from line 3.		5	1,890.

Part II Reasons for Filing - Check the boxes below that apply. If any boxes are checked, the corporation must file Form 2220 even if it does not owe a penalty (see instructions).

- 6 The corporation is using the adjusted seasonal installment method
- 7 The corporation is using the annualized income installment method
- 8 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax

Part III Figuring the Underpayment

	(a)	(b)	(c)	(d)
9	05/15/05	06/15/05	09/15/05	12/15/05
10	473.	472.	473.	472.
11	459.		3,000.	
12				2,041.
13			3,000.	2,041.
14		14.	486.	
15	459.	0.	2,514.	2,041.
16		14.	0.	
17	14.	472.		
18			2,041.	

Go to Part IV on page 2 to figure the penalty. Do not go to Part IV if there are no entries on line 17 - no penalty is owed.

Part IV Figuring the Penalty

	(a)	(b)	(c)	(d)
19 Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions) (Form 990-PF and Form 990-T filers. Use 5th month instead of 3rd month)				
20 Number of days from due date of installment on line 9 to the date shown on line 19				
21 Number of days on line 20 after 4/15/2005 and before 10/1/2005				
22 Underpayment on line 17 x $\frac{\text{Number of days on line 21} \times 6\%}{365}$	\$	\$	\$	\$
23 Number of days on line 20 after 9/30/2005 and before 4/1/2006				
24 Underpayment on line 17 x $\frac{\text{Number of days on line 23} \times 7\%}{365}$	\$	\$	\$	\$
25 Number of days on line 20 after 3/31/2006 and before 7/1/2006				
26 Underpayment on line 17 x $\frac{\text{Number of days on line 25} \times \%}{365}$	\$	\$	\$	\$
27 Number of days on line 20 after 6/30/2006 and before 10/1/2006	See Attached Worksheet			
28 Underpayment on line 17 x $\frac{\text{Number of days on line 27} \times \%}{365}$	\$	\$	\$	\$
29 Number of days on line 20 after 9/30/2006 and before 1/1/2007				
30 Underpayment on line 17 x $\frac{\text{Number of days on line 29} \times \%}{365}$	\$	\$	\$	\$
31 Number of days on line 20 after 12/31/2006 and before 2/16/2007				
32 Underpayment on line 17 x $\frac{\text{Number of days on line 31} \times \%}{365}$	\$	\$	\$	\$
33 Add lines 22, 24, 26, 28, 30, and 32	\$	\$	\$	\$
34 Penalty. Add columns (a) through (d), of line 33 Enter the total here and on Form 1120, line 33, Form 1120-A, line 29, or the comparable line for other income tax returns				34 \$ 7.

* For underpayments paid after March 31, 2006. For lines 26, 28, 30, and 32, use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at www.irs.gov. You can also call 1-800-829-4933 to get interest rate information.

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only Part II and check this box **X**
- Note:** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only Part I (on page 1).

Part II Additional (not automatic) 3-Month Extension of Time - Must file Original and One Copy.		
Type or print. File by the extended due date for filing the return See instructions	Name of Exempt Organization THE STEPPING STONES FOUNDATION	Employer identification number 13-3031164
	Number, street, and room or suite no. If a P.O. box, see instructions PO BOX 452	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. BEDFORD HILLS, NY 10507	

Check type of return to be filed (File a separate application for each return):

<input type="checkbox"/> Form 990	<input type="checkbox"/> Form 990-EZ	<input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust)	<input type="checkbox"/> Form 1041-A	<input type="checkbox"/> Form 5227	<input type="checkbox"/> Form 8870
<input type="checkbox"/> Form 990-BL	<input checked="" type="checkbox"/> Form 990-PF	<input type="checkbox"/> Form 990-T (trust other than above)	<input type="checkbox"/> Form 4720	<input type="checkbox"/> Form 6069	

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of **THE STEPPING STONES FOUNDATION**
Telephone No. **914-232-4822** FAX No. _____
- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the **whole** group, check this box . If it is for **part** of the group, check this box and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until **November 15, 2006**.

5 For calendar year **2005**, or other tax year beginning _____ and ending _____.

6 If this tax year is for less than 12 months, check reason: Initial return Final return Change in accounting period

7 State in detail why you need the extension
TAXPAYER IS STILL GATHERING INFORMATION TO FILE A COMPLETE AND ACCURATE RETURN

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions **\$ 5,459.**

b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 **\$ 5,459.**

c **Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions **\$ 0.**

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form

Signature  Title **CPA** Date **8/15/06**

Notice to Applicant - To Be Completed by the IRS

- We have approved this application. Please attach this form to the organization's return.
- We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
- We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting a 10-day grace period.
- We cannot consider this application because it was filed after the extended due date of the return for which an extension was requested.
- Other _____

Director _____ By _____ Date _____

Alternate Mailing Address - Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

Type or print	Name Owen J Flanagan & Co	AUG 31 2006 FIELD DIRECTOR SUBMISSION PROCESSING CENTER
	Number and street (include suite, room, or apt. no.) or a P.O. box number 60 East 42nd Street	
	City or town, province or state, and country (including postal or ZIP code) New York, NY 10165	