

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

**2004**

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

For calendar year 2004, 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**

Number and street (or P.O. box number if mail is not delivered to street address): **PO BOX 452**

Room/suite: \_\_\_\_\_

City or town, state, and ZIP code: **BEDFORD HILLS, NY 10507**

A Employer identification number: **13-3031164**

B Telephone number: **914-232-4822**

H Check type of organization  Section 501(c)(3) exempt private foundation  Section 4947(a)(1) nonexempt charitable trust  Other taxable private foundation

I Fair market value of all assets at end of year (from Part II, col. (c), line 16) **\$ 7,282,034.** (Part I, column (d) must be on cash basis.)

J Accounting method  Cash  Accrual  Other (specify) \_\_\_\_\_

C If exemption application is pending, check here

D 1. Foreign organizations, check here   
2. Foreign organizations meeting the 85% test, check here and attach computation

E If private foundation status was terminated under section 507(b)(1)(A), check here

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here

Part I Analysis of Revenue and Expenses		(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	8,451.			
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	199,661.	199,661.	199,661.	Statement 1
5a	Gross rents				
b	Net rental income or (loss)				
6a	Net gain or (loss) from sale of assets not on line 10	32,784.			
b	Gross sales price for all assets on line 6a	2,325,322.			
7	Capital gain net income (from Part IV, line 2)		32,784.		
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	9,619.	0.	9,619.	Statement 2
12	Total. Add lines 1 through 11	250,515.	232,445.	209,280.	
13	Compensation of officers, directors, trustees, etc	67,000.	0.	0.	67,000.
14	Other employee salaries and wages	13,878.	0.	0.	13,878.
15	Pension plans, employee benefits	16,051.	0.	0.	16,051.
16a	Legal fees	960.	0.	0.	1,078.
b	Accounting fees	5,800.	2,900.	2,900.	5,800.
c	Other professional fees	42,399.	40,524.	40,524.	1,875.
17	Interest				
18	Taxes	2,650.	0.	0.	250.
19	Depreciation and depletion	4,685.	0.	0.	
20	Occupancy	17,386.	0.	0.	16,771.
21	Travel, conferences, and meetings	1,454.	0.	0.	1,454.
22	Printing and publications	5,035.	0.	0.	5,035.
23	Other expenses	91,501.	0.	2,418.	105,477.
24	Total operating and administrative expenses. Add lines 13 through 23	268,799.	43,424.	45,842.	234,669.
25	Contributions, gifts, grants paid				
26	Total expenses and disbursements. Add lines 24 and 25	268,799.	43,424.	45,842.	234,669.
27	Subtract line 26 from line 12	-18,284.			
a	Excess of revenue over expenses and disbursements		189,021.		
b	Net investment income (if negative, enter -0-)			163,438.	
c	Adjusted net income (if negative, enter -0-)				

825 RECEIVED NOV 17 2005 IRS  
 Operating and Administrative Expenses  
 CODEN, IT  
 Stmt 3  
 Stmt 4  
 Stmt 5  
 Stmt 6  
 Stmt 7

LHA For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Form 990-PF (2004)

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	-1,745.	957.	957.
	2 Savings and temporary cash investments	29,763.	44,141.	44,141.
	3 Accounts receivable ▶ 34,146.			
	Less allowance for doubtful accounts ▶	40,692.	34,146.	34,146.
	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			
	9 Prepaid expenses and deferred charges		13,814.	13,814.
	10a Investments - U S and state government obligations Stmt 8	665,953.	618,847.	618,847.
	b Investments - corporate stock Stmt 9	3,345,570.	3,642,443.	3,642,443.
	c Investments - corporate bonds Stmt 10	1,562,962.	1,479,762.	1,479,762.
	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 11 ▶ 110,505.	1,452,609.	1,447,924.	1,447,924.	
15 Other assets (describe ▶)				
16 Total assets (to be completed by all filers)	7,095,804.	7,282,034.	7,282,034.	
Liabilities	17 Accounts payable and accrued expenses	14,544.	9,078.	
	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)	14,544.	9,078.	
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	7,081,260.	7,272,956.	
	25 Temporarily restricted			
	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	7,081,260.	7,272,956.		
31 Total liabilities and net assets/fund balances	7,095,804.	7,282,034.		

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	7,081,260.
2 Enter amount from Part I, line 27a	2	-18,284.
3 Other increases not included in line 2 (itemize) ▶ CHANGE IN UNREALIZED APPRECIATION	3	209,980.
4 Add lines 1, 2, and 3	4	7,272,956.
5 Decreases not included in line 2 (itemize) ▶	5	0.
6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	7,272,956.

**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 SCHEDULE ATTACHED #13	P		
b SCHEDULE ATTACHED #13	P		
c SCHEDULE ATTACHED #14	P		
d SCHEDULE ATTACHED #14	P		
e MISC			

(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 114,023.		107,249.	6,774.
b 385,688.		368,302.	17,386.
c 761,079.		715,610.	45,469.
d 1,064,532.		1,101,311.	-36,779.
e		66.	-66.

(i) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j), if any	(l) Gains (Col (h) gain minus col. (k), but not less than -0-) or Losses (from col (h))
a			6,774.
b			17,386.
c			45,469.
d			-36,779.
e			-66.

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	32,784.
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	-30,071.

**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))
2003	228,801.	5,032,704.	.0454628
2002	233,247.	5,207,596.	.0447898
2001	200,890.	5,538,113.	.0362741
2000	210,579.	5,863,842.	.0359114
1999	224,444.	5,694,473.	.0394144

2 Total of line 1, column (d)	2	.2018525
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	.0403705
4 Enter the net value of noncharitable-use assets for 2004 from Part X, line 5	4	5,506,914.
5 Multiply line 4 by line 3	5	222,317.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	1,890.
7 Add lines 5 and 6	7	224,207.
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	234,669.

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

Table with 11 rows for excise tax calculations. Includes sub-rows 6a-6d for credits. Total tax due is 459.00, with 459.00 refunded.

Part VII-A Statements Regarding Activities

Table with 11 rows for activity statements. Includes questions about political campaigns, tax returns, and state reporting. Includes 'N/A' for some items.

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 'Yes' and 'No' and rows 1a through 6b. Contains various questions about organizational activities and their responses.



**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		
3	All other program-related investments See instructions	
<b>Total.</b> 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	5,543,222.
b	Average of monthly cash balances	1b	10,135.
c	Fair market value of all other assets	1c	37,419.
d	Total (add lines 1a, b, and c)	1d	5,590,776.
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	5,590,776.
4	Cash deemed held for charitable activities Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	83,862.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	5,506,914.
6	Minimum investment return. Enter 5% of line 5	6	275,346.

**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 2004 from Part VI, line 5	2a	
b	Income tax for 2004 (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	234,669.
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	234,669.
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	1,890.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	232,779.

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 2003	(c) 2003	(d) 2004
<b>1</b> Distributable amount for 2004 from Part XI, line 7				0.
<b>2</b> Undistributed income, if any, as of the end of 2003			0.	
<b>a</b> Enter amount for 2003 only				
<b>b</b> Total for prior years		0.		
<b>3</b> Excess distributions carryover, if any, to 2004				
<b>a</b> From 1999				
<b>b</b> From 2000				
<b>c</b> From 2001				
<b>d</b> From 2002				
<b>e</b> From 2003				
<b>f</b> Total of lines 3a through e	0.			
<b>4</b> Qualifying distributions for 2004 from Part XII, line 4 ▶ \$ <u>N/A</u>			0.	
<b>a</b> Applied to 2003, but not more than line 2a				
<b>b</b> Applied to undistributed income of prior years (Election required - see instructions)		0.		
<b>c</b> Treated as distributions out of corpus (Election required - see instructions)	0.			0.
<b>d</b> Applied to 2004 distributable amount	0.			
<b>e</b> Remaining amount distributed out of corpus	0.			0.
<b>5</b> Excess distributions carryover applied to 2004 (If an amount appears in column (d), the same amount must be shown in column (a))				
<b>6</b> Enter the net total of each column as indicated below:	0.			
<b>a</b> Corpus Add lines 3f, 4c, and 4e Subtract line 5				
<b>b</b> Prior years' undistributed income Subtract line 4b from line 2b		0.		
<b>c</b> 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.		
<b>d</b> Subtract line 6c from line 6b Taxable amount - see instructions		0.		
<b>e</b> Undistributed income for 2003 Subtract line 4a from line 2a Taxable amount - see instr			0.	
<b>f</b> Undistributed income for 2004 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2005				0.
<b>7</b> Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3)	0.			
<b>8</b> Excess distributions carryover from 1999 not applied on line 5 or line 7	0.			
<b>9</b> Excess distributions carryover to 2005. Subtract lines 7 and 8 from line 6a	0.			
<b>10</b> Analysis of line 9				
<b>a</b> Excess from 2000				
<b>b</b> Excess from 2001				
<b>c</b> Excess from 2002				
<b>d</b> Excess from 2003				
<b>e</b> Excess from 2004				

**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 2004, 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) 2004	(b) 2003	(c) 2002	(d) 2001	
b 85% of line 2a	163,438.	223,987.	188,966.	178,995.	755,386.
c Qualifying distributions from Part XII, line 4 for each year listed	138,922.	190,389.	160,621.	152,146.	642,078.
d Amounts included in line 2c not used directly for active conduct of exempt activities	234,669.	230,653.	234,948.	200,890.	901,160.
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c	0.	0.	3,000.	2,500.	5,500.
3 Complete 3a, b, or c for the alternative test relied upon.	234,669.	230,653.	231,948.	198,390.	895,660.
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	183,564.	167,757.	173,587.	184,604.	709,512.
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  
C/O THE STEPPING STONES FOUNDATION, BEDFORD HILLS, NY 10507, 914-232-4822

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)

<b>3 Grants and Contributions Paid During the Year or Approved for Future Payment</b>				
Recipient	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
Name and address (home or business)				
<b>a Paid during the year</b>				
None				
<b>Total</b>			▶ 3a	0.
<b>b Approved for future payment</b>				
None				
<b>Total</b>			▶ 3b	0.



Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

- 1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code... a Transfers from the reporting organization to a noncharitable exempt organization of (1) Cash (2) Other assets b Other transactions. (1) Sales of assets to a noncharitable exempt organization (2) Purchases of assets from a noncharitable exempt organization (3) Rental of facilities, equipment, or other assets (4) Reimbursement arrangements (5) Loans or loan guarantees (6) Performance of services or membership or fundraising solicitations c Sharing of facilities, equipment, mailing lists, other assets, or paid employees d If the answer to any of the above is "Yes," complete the following schedule...

Table with 4 columns: (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements. Row 1 contains 'N/A'.

2a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code... [ ] Yes [X] No

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. Row 1 contains 'N/A'.

any schedules and statements, and to the best of my knowledge and belief, it is true, correct, information of which preparer has any knowledge

11/17/04

2004 DEPRECIATION AND AMORTIZATION REPORT  
Form 990-PF Page 1

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.	38,631.		4,435.
3	DRIVEWAY	VariesSL		20.00	17	5,000.			5,000.	2,750.		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.	105,820.	0.	4,685.

\* ITC, Section 179, Salvage, Bonus, Commercial Revitalization Deduction

(D) - Asset disposed

If you are filing for an additional (not automatic) 3-Month Extension, complete only Part II and check this box

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).

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

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, 2005.**  
 5 For calendar year **2004**, 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  
**THE ORGANIZATION IS WAITING FOR THE COMPLETION OF ITS AUDIT.**

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 \$ **2,000.**  
 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 \$ **2,309.**  
 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 *Ken Hill* Title *COO* Date *8/11/2005*

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 \_\_\_\_\_

**EXTENSION APPROVED**

Director \_\_\_\_\_ By \_\_\_\_\_ Date **AUG 23 2005**

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 <b>Owen J Flanagan &amp; Co</b>
	Number and street (include suite, room, or apt. no.) or a P.O. box number <b>60 East 42nd Street</b>
	City or town, province or state, and country (including postal or ZIP code) <b>New York, NY 10165</b>

Form 990-PF	Dividends and Interest from Securities		Statement	1
Source	Gross Amount	Capital Gains Dividends	Column (A) Amount	
DIVIDENDS & INTEREST ON SECURITIES	199,661.	0.	199,661.	
Total to Fm 990-PF, Part I, ln 4	199,661.	0.	199,661.	

Form 990-PF	Other Income		Statement	2
Description	Amount			
GREETING CARD SALES	398.			
ROYALTIES ON BOOK	1,023.			
PRODUCT SALES	8,198.			
Total to Form 990-PF, Part I, line 11, Column A	9,619.			

Form 990-PF	Legal Fees				Statement	3
Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes		
GIBNEY ANTHONY & FLAHERTY - LEGAL	0.	0.	0.	118.		
OXMAN TULTS KIRKPATRICK	960.	0.	0.	960.		
To Fm 990-PF, Pg 1, ln 16a	960.	0.	0.	1,078.		

Form 990-PF	Accounting Fees				Statement	4
Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes		
OWEN J FLANAGAN & CO - ACCOUNTING & TAX	5,800.	2,900.	2,900.	5,800.		
To Form 990-PF, Pg 1, ln 16b	5,800.	2,900.	2,900.	5,800.		

Form 990-PF	Other Professional Fees			Statement	5
Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes	
MORSE WILLIAMS - INV. ADVISORY	40,524.	40,524.	40,524.		0.
STEPHEN TILLY, ARCHITECT	1,875.	0.	0.		1,875.
To Form 990-PF, Pg 1, ln 16c	42,399.	40,524.	40,524.		1,875.

Form 990-PF	Taxes			Statement	6
Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes	
NYS FILING EXCISE	250. 2,400.	0. 0.	0. 0.		250. 0.
To Form 990-PF, Pg 1, ln 18	2,650.	0.	0.		250.

Form 990-PF	Other Expenses			Statement	7
Description	(a) Expenses Per Books	(b) Net Invest- ment Income	(c) Adjusted Net Income	(d) Charitable Purposes	
REPAIRS & MAINTENANCE	45,400.	0.	0.		45,563.
ARCHIVES	102.	0.	0.		102.
ANNUAL PICNIC	1,948.	0.	0.		1,948.
INSURANCE	16,792.	0.	0.		30,606.
OFFICE	12,904.	0.	0.		12,904.
MISCELLANEOUS	2,210.	0.	0.		2,209.
WEB SITE	771.	0.	0.		771.
PRODUCTS	2,418.	0.	2,418.		2,418.
BOARD	905.	0.	0.		905.
VISITORS & COMMUNITY RELATIONS	2,859.	0.	0.		2,859.
MARKETING SURVEY	3,100.	0.	0.		3,100.
STAFF DEVELOPMENT	2,092.	0.	0.		2,092.
To Form 990-PF, Pg 1, ln 23	91,501.	0.	2,418.		105,477.

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Form 990-PF U.S. and State/City Government Obligations Statement 8

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Description	U.S. Gov't	Other Gov't	Book Value	Fair Market Value
US GOVERNMENT BONDS STMT #15	X		618,847.	618,847.
Total U.S. Government Obligations			618,847.	618,847.
Total State and Municipal Government Obligations				
Total to Form 990-PF, Part II, line 10a			618,847.	618,847.

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Form 990-PF Corporate Stock Statement 9

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Description	Book Value	Fair Market Value
CORPORATE STOCK STMT #15	3,642,443.	3,642,443.
Total to Form 990-PF, Part II, line 10b	3,642,443.	3,642,443.

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Form 990-PF Corporate Bonds Statement 10

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Description	Book Value	Fair Market Value
CORPORATE BONDS STMT #15	1,479,762.	1,479,762.
Total to Form 990-PF, Part II, line 10c	1,479,762.	1,479,762.

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Form 990-PF Depreciation of Assets Not Held for Investment Statement 11

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Description	Cost or Other Basis	Accumulated Depreciation	Book Value
LAND & BUILDINGS	1,400,000.	0.	1,400,000.
BUILDING IMPROVEMENTS	90,147.	43,066.	47,081.
DRIVEWAY	5,000.	3,000.	2,000.
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.	110,505.	1,447,924.

Form 990-PF

Part VIII - List of Officers, Directors  
Trustees and Foundation Managers

Statement 12

Name and Address	Title and Avrg Hrs/Wk	Compen- sation	Employee Ben Plan Contrib	Expense Account
MAUREEN SULLIVAN NEW YORK, NY	TRUSTEE 1	0.	0.	0.
MICHAEL KELLY CONNECTICUT	TREASURER 1	0.	0.	0.
WILLIAM BORCHERT OSSINING, NY	TRUSTEE 1	0.	0.	0.
ROBERT HOGUET NEW YORK, NY	PRESIDENT 1	0.	0.	0.
JULIE CLARK BOAK NEW YORK, NY	SECRETARY 1	0.	0.	0.
JOHNNY W. ALLEM WASHINGTON, DC	TRUSTEE 1	0.	0.	0.
EILEEN GIULIANI BEDFORD HILLS, NY	EXECUTIVE DIRECTOR 40	67,000.	9,578.	0.
JOANNA COHLAN CHAPPAQUA, NY	VICE-PRESIDENT 1	0.	0.	0.
Totals included on 990-PF, Page 6, Part VIII		67,000.	9,578.	0.

MORSE, WILLIAMS AND CO., INC.  
 PORTVUE - R2514L.LSK

SCHEDULE OF REALIZED GAINS AND LOSSES  
 THE STEPPING STONES FOUNDATION

FOR THE PERIOD FROM: 01/01/04 THROUGH 03/31/04

SECURITY DESCRIPTION	ORIGINAL COST	PURCHASE DATE	PROCEEDS	SALE DATE	GAIN OR (-LOSS)
<b>Short-term (Max tax rate 35.0%)</b>					
5 PIPER JAFFRAY COS COM	131.80	03/12/03	206.99	01/06/04	75.19
300 ADOBE SYS INC	13,411.00	10/29/03	10,963.48	01/12/04	-2,447.52
500 MICRON TECHNOLOGY INC	4,411.00	04/03/03	7,257.65	01/14/04	2,846.65
500 MILLENNIUM PHARMACTLS INC COM	7,156.00	05/14/03	8,503.60	01/14/04	1,347.60
500 UTSTARCOM INC COM	19,032.00	12/01/03	16,810.21	02/02/04	-2,221.79
500 PMA CAPITAL 8.500% 06/15/18	5,197.25	08/19/03	3,896.38	02/05/04	-1,300.87
1,000 SONUS NETWORKS INC COM	8,474.50	01/06/04	5,217.75	02/12/04	-3,256.75
500 TIME WARNER INC	6,547.00	04/22/03	8,563.66	02/24/04	2,016.66
500 RF MICRO DEVICES INC COM	3,517.00	03/20/03	4,457.82	02/25/04	940.82
300 HALLIBURTON CO	6,309.60	03/27/03	9,144.64	03/10/04	2,835.04
300 BARD C R INC N J	21,070.00	07/25/03	27,801.91	03/12/04	6,731.91
1,000 ORACLE SYSTEMS CORPORATION	11,992.00	04/07/03	11,198.56	03/22/04	-793.44
			\$114,022.65		\$6,773.50

SECURITY DESCRIPTION	ORIGINAL COST	PURCHASE DATE	PROCEEDS	SALE DATE	GAIN OR (-LOSS)
<b>Long-term (Max tax rate 15.0%)</b>					
5 PIPER JAFFRAY COS COM	163.20	02/16/01	206.99	01/06/04	43.79
100 PIPER JAFFRAY COS COM	301.82	05/03/01	413.98	01/06/04	112.16
200 ALLTEL CORP	5,075.40	11/18/02	4,810.79	01/13/04	-264.61
200 ALLTEL CORP	10,031.00	11/19/02	9,621.58	01/13/04	-409.42
200 ALLTEL CORP	10,717.00	11/21/02	9,621.58	01/13/04	-1,095.42
300 HONEYWELL INTERNATIONAL, INC.	9,530.98	11/21/01	10,590.58	01/20/04	1,059.60
500 HONEYWELL INTERNATIONAL, INC.	17,293.22	02/20/02	17,650.97	01/20/04	357.75
200 HONEYWELL INTERNATIONAL, INC.	7,425.00	06/10/02	7,060.39	01/20/04	-364.61
100 COLGATE PALMOLIVE CO	5,522.50	05/06/02	5,119.25	01/23/04	-403.25
100 COLGATE PALMOLIVE CO	5,606.33	09/17/02	5,119.26	01/23/04	-487.07
200 SYSCO CORP	5,764.40	01/29/02	7,142.66	01/23/04	1,378.26
25,000 SPACEHAB CVTS 8.000% 10/15/07	27,125.00	06/19/98	23,250.00	01/26/04	-3,875.00
500 TEXTRON INC	21,152.00	12/04/02	27,236.72	01/29/04	6,084.72
500 TEXTRON INC	20,952.00	12/05/02	25,871.78	01/30/04	4,919.78
500 RF MICRO DEVICES INC COM	3,278.00	09/25/02	4,942.76	02/12/04	1,664.76
500 TIME WARNER INC	8,101.00	11/26/02	8,817.58	02/12/04	716.58
100 CATERPILLAR TRACTOR	4,608.33	12/16/02	7,802.63	02/20/04	3,194.30
500 FOUNDRY NETWORKS COM	4,550.25	02/18/03	10,397.59	02/24/04	5,847.34
500 TIME WARNER INC	8,101.00	11/26/02	8,563.66	02/24/04	462.66
100,000 FEDERAL HOME LOAN BANK 6.650% 02/27/17	100,000.00	02/08/02	100,000.00	03/01/04	0.00
200 AMERICAN INTL GROUP INC	16,934.50	01/16/01	14,698.42	03/03/04	-2,236.08
200 UNITED TECHNOLOGIES CORP	14,013.00	05/13/02	17,872.30	03/03/04	3,859.30
500 PFIZER INC	19,307.00	09/06/01	18,502.27	03/10/04	-804.73
1,000 ORACLE SYSTEMS CORPORATION	11,622.00	03/20/03	11,198.56	03/22/04	-423.44
200 AMGEN	10,274.30	05/23/02	11,656.54	03/23/04	1,382.24
500 VODAFONE GROUP PLC	10,174.33	01/14/03	11,712.54	03/23/04	1,538.21
200 GENERAL ELECTRIC COMPANY	10,678.00	07/11/00	5,806.77	03/25/04	-4,871.23
			\$385,688.15		\$17,386.59

STMT #13

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

From 04-01-04 Through 12-31-04

Open Date	Close Date	Quantity	Security	Cost		Proceeds	Gain Or Loss	
				Quantity	Basis		Short Term	Long Term
02-05-04	04-02-04	300.00	INTL PAPER CO		12,418.00	12,717.70	299.70	
10-02-03	04-12-04	200.00	UPS INC		12,924.00	14,061.00	1,137.00	
10-09-03	04-12-04	200.00	UPS INC		13,193.00	14,061.00	868.00	
10-21-03	04-12-04	200.00	UPS INC		13,733.00	14,061.01	328.01	
12-01-03	04-14-04	200.00	AMSOUTH BANCORP		4,844.40	4,440.89	-403.51	
08-27-03	04-15-04	1,000.00	CHINA MOBILE HK		12,842.00	14,165.84	1,323.84	
10-09-03	04-15-04	1,000.00	CHINA MOBILE HK		15,152.00	14,165.84	-986.16	
04-16-02	04-19-04	500.00	CIENA CORP		4,041.39	2,393.94		-1,647.45
07-12-02	04-19-04	500.00	CIENA CORP		2,851.00	2,393.94		-457.06
01-09-03	04-19-04	200.00	QUALCOMM INC		7,768.80	13,221.52		5,452.72
01-02-03	04-19-04	500.00	RSA SEC INC		3,156.00	8,742.79		5,586.79
01-20-04	04-21-04	1,000.00	AT&T CORP		21,822.00	18,147.57	-3,674.43	
09-17-03	04-21-04	300.00	AMERICAN STD		25,289.65	31,695.39	6,405.74	
01-23-04	04-21-04	500.00	YUM BRANDS INC		17,642.00	17,907.57	265.57	
12-03-01	04-27-04	500.00	FREQUENCY ELCTRS		7,047.81	7,707.81		660.81
10-14-03	04-29-04	400.00	CONAGRA FOODS		9,370.00	11,511.00	2,141.00	
02-18-03	04-30-04	1,000.00	FOUNDRY NTRWK		9,100.50	11,379.30		2,278.80
04-21-04	04-30-04	1,000.00	FOUNDRY NTRWK		16,054.00	11,379.30	-4,674.70	
03-03-04	05-03-04	500.00	US STL CORP		19,337.00	13,937.67	-5,399.33	
02-12-02	05-03-04	500.00	FREQUENCY ELCTRS		6,352.00	6,548.84	196.84	
08-28-03	05-03-04	500.00	FREQUENCY ELCTRS		5,192.00	6,548.85	1,356.85	
07-23-03	05-03-04	600.00	LOCKHEED MARTIN		32,082.00	28,461.33	-3,620.67	
03-10-04	05-03-04	2,000.00	BOOKHAM TECH		4,541.54	2,637.93	-1,903.61	
06-14-02	05-07-04	200.00	AMRN INTL GRP		12,983.00	14,090.66	1,107.66	
12-16-03	05-07-04	200.00	AMRN INTL GRP		12,609.00	14,090.67	1,481.67	
04-12-02	05-07-04	500.00	APPLIED SIGNAL		5,121.00	12,731.06	7,610.06	
05-12-00	05-07-04	100.00	HOME DEPOT INC		5,431.75	3,290.67	-2,141.08	
06-01-00	05-07-04	200.00	HOME DEPOT INC		9,845.00	6,581.35	-3,263.65	
06-27-00	05-07-04	100.00	HOME DEPOT INC		4,982.75	3,290.67	-1,692.08	
09-26-01	05-07-04	500.00	NEWMONT MINING		11,397.00	17,762.58	6,365.58	
03-27-03	05-10-04	200.00	HALLIBURTON CO		4,206.40	5,601.74	1,395.34	
05-07-03	05-10-04	500.00	HALLIBURTON CO		11,772.00	14,004.35	2,232.35	
04-19-04	05-12-04	500.00	NVE CORP		21,558.00	13,463.93	-8,094.07	
03-24-04	05-14-04	1,149.00	SOFTBRANDS INC		0.00	1,180.91	1,180.91	
07-01-03	05-18-04	300.00	GOLDMAN SACHS		25,630.00	27,811.34	2,181.34	

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

**R2514**

From 04-01-04 Through 12-31-04

Open Date	Close Date	Quantity	Security	Cost		Gain Or Loss		
				Basis	Proceeds	Short Term	Long Term	
06-06-02	05-20-04	500.00	AMGEN INC	22,590.00	27,297.36		4,707.36	
07-12-02	05-20-04	500.00	CIENA CORP	2,851.00	1,674.63		-1,176.37	
01-09-03	05-20-04	500.00	CIENA CORP	3,367.00	1,674.63		-1,692.37	
05-01-03	05-20-04	2,000.00	CIENA CORP	10,362.00	6,698.50		-3,663.50	
10-01-03	05-20-04	400.00	COACH INC	11,306.18	15,757.23	4,451.05		
02-12-04	05-20-04	500.00	NSTAR	24,534.33	22,737.46	-1,796.87		
05-22-02	05-20-04	300.00	UNITED TECHS	20,452.00	24,481.22		4,029.22	
06-26-02	05-20-04	200.00	UNITED TECHS	12,959.00	16,320.82		3,361.82	
01-14-03	05-28-04	500.00	COMCAST CL A	13,532.00	14,292.66		760.66	
12-01-03	06-02-04	800.00	AMSOUTH BANCORP	19,377.60	20,013.93	636.33		
01-12-04	06-02-04	200.00	AMSOUTH BANCORP	4,965.00	5,003.48	38.48		
10-21-03	06-02-04	500.00	BEA SYS INC	6,950.67	4,262.89	-2,687.78		
04-03-03	06-02-04	500.00	MICRON TECH INC	4,411.00	7,319.16		2,908.16	
05-07-03	06-02-04	1,000.00	MICRON TECH INC	9,132.00	14,638.32		5,506.32	
11-19-02	06-02-04	500.00	NETWORK APPL	5,621.00	9,742.77		4,121.77	
01-14-03	06-02-04	500.00	VODAFONE GRP PLC	10,174.33	11,758.72		1,584.38	
05-20-03	06-02-04	500.00	VODAFONE GRP PLC	9,992.00	11,758.72		1,766.72	
10-21-03	06-03-04	1,000.00	BEA SYS INC	13,901.33	8,317.80	-5,583.53		
10-23-03	06-07-04	200.00	CITIGROUP INC	9,482.80	9,388.77	-94.03		
12-16-03	06-08-04	500.00	APPLIED SIGNAL	10,740.50	15,707.63	4,967.13		
06-18-01	06-08-04	500.00	BOTTOMLINE TECH	2,023.20	4,993.38		2,970.18	
02-12-02	06-09-04	1,000.00	TRANSOCEAN INC	28,482.00	25,317.40		-3,164.60	
12-16-03	06-09-04	1,000.00	JLG INDUSTRIES INC	14,952.00	13,553.68	-1,398.32		
04-02-02	06-10-04	500.00	TENN VALLEY AUTH SER	12,727.00	11,787.72		-939.28	
			B					
07-24-03	06-14-04	1,000.00	ALLIANCE CAP	36,522.00	33,000.28	-3,521.72		
11-14-03	06-14-04	200.00	ALLIANCE CAP	6,375.00	6,600.06	225.06		
10-01-01	06-14-04	500.00	NEWMONT MINING	12,347.00	18,307.57		5,960.57	
03-16-04	06-22-04	1,000.00	JLG INDUSTRIES INC	13,337.20	12,997.69	-339.51		
06-06-03	06-24-04	500.00	BRISTOL-MYERS SQ	13,846.00	12,432.70		-1,413.30	
04-11-00	06-28-04	100.00	E I DU PONT	6,034.17	4,365.39		-1,668.78	
04-11-00	06-28-04	100.00	E I DU PONT	6,034.16	4,365.40		-1,668.76	
07-11-00	06-28-04	200.00	GENERAL ELECTRIC	10,678.00	6,516.84		-4,161.16	
11-30-00	06-28-04	200.00	INTEL CORP	7,684.50	5,503.15		-2,181.35	
06-28-04	07-07-04	300.00	NSTAR	14,512.00	14,079.66	-432.34		

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

From 04-01-04 Through 12-31-04

Open Date	Close Date	Quantity	Security	Cost		Proceeds	Gain Or Loss	
				Basic			Short Term	Long Term
12-05-02	07-09-04	300.00	GTECH HLDGS CORP	7,401.25		12,859.69		5,458.44
06-30-03	07-13-04	1,500.00	RF MICRODEVICES	8,927.00		9,658.27		731.27
03-10-04	07-13-04	500.00	RF MICRODEVICES	4,632.00		3,219.42	-1,412.58	
12-21-01	07-13-04	500.00	TEXAS INSTR	13,946.00		11,168.73		-2,777.27
01-30-02	07-13-04	500.00	TEXAS INSTR	15,112.55		11,168.74		-3,943.81
01-17-02	07-15-04	500.00	RAYTHEON CO	16,336.45		16,632.60		296.15
10-21-03	07-15-04	500.00	SBC COMM	11,000.67		11,462.73	462.06	
10-23-03	07-16-04	300.00	CITIGROUP INC	14,224.20		13,156.69	-1,067.51	
06-06-03	07-20-04	500.00	BRISTOL-MYERS SQ	13,846.00		11,682.72		-2,163.28
05-14-03	07-21-04	500.00	MILLENNIUM PHARM	7,156.00		5,343.87		-1,812.13
05-20-03	07-21-04	500.00	MILLENNIUM PHARM	6,881.81		5,343.87		-1,537.94
11-19-02	07-21-04	500.00	NETWORK APPL	5,621.00		8,619.13		2,998.13
05-13-04	07-21-04	1,000.00	NETWORK APPL	21,154.79		17,238.26	-3,916.53	
12-05-02	07-29-04	500.00	GTECH HLDGS CORP	12,335.41		19,982.53		7,647.12
10-28-02	08-11-04	1,000.00	CRAY INC	4,873.00		3,137.92		-1,735.08
06-07-04	08-13-04	200.00	AMRN INTL GRP	14,951.00		13,276.68	-1,674.32	
05-20-04	08-13-04	500.00	CON ED INC	18,744.66		20,397.52	1,652.85	
12-04-02	08-13-04	1,000.00	CRAY INC	6,967.00		3,048.59		-3,918.41
05-08-03	08-13-04	500.00	CRAY INC	3,617.00		1,524.30		-2,092.70
07-11-00	08-13-04	100.00	GENERAL ELECTRIC	5,339.00		3,146.42		-2,192.58
03-23-01	08-13-04	100.00	GENERAL ELECTRIC	3,941.00		3,146.43		-794.57
06-02-04	08-13-04	1,200.00	WILLIAMS COS	14,822.00		13,629.67	-1,192.33	
06-02-04	08-23-04	200.00	BP PRUDHOE BAY RYLTY TST	6,214.40		7,324.82	1,110.42	
04-11-00	08-23-04	100.00	EIDU PONT	6,034.16		4,149.37		-1,884.59
05-30-00	08-23-04	200.00	EIDU PONT	10,005.00		8,299.13		-1,705.87
11-12-03	08-23-04	1,000.00	1 800 FLOWERS	11,016.50		7,518.49	-3,498.01	
06-02-04	08-23-04	500.00	1 800 FLOWERS	5,177.00		3,759.24	-1,417.76	
05-25-04	08-24-04	200.00	GILEAD SCIENCES	12,738.21		12,889.17	150.96	
05-07-04	08-30-04	300.00	APPLIED MATLS INC	5,691.60		4,786.88	-904.72	
03-23-01	08-30-04	300.00	INTEL CORP	8,762.70		6,491.47		-2,271.23
01-06-03	08-31-04	1,000.00	RSA SEC INC	6,712.00		14,759.85	8,047.85	
07-20-04	08-31-04	1,000.00	RED HAT INC	16,412.00		11,947.71	-4,464.29	
04-12-02	09-01-04	500.00	TENN VALLEY AUTH SER B	12,672.00		12,367.70		-304.30

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

R2514

From 04-01-04 Through 12-31-04

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
06-10-02	09-01-04	200.00	WAL MART STRS INC	11,298.80	10,490.95		-807.85
06-25-02	09-01-04	300.00	WAL MART STRS INC	17,194.00	15,736.43		-1,457.57
05-20-04	09-02-04	300.00	MEDIMMUNE INC	6,973.20	7,180.83	207.63	
06-04-03	09-07-04	500.00	BROADCOM CORP	13,092.00	12,772.70		-319.30
06-24-04	09-08-04	200.00	AMAZON INC	10,285.80	7,622.82	-2,662.98	
05-20-04	09-08-04	300.00	CON ED INC	11,246.80	12,610.70	1,363.90	
10-23-03	09-08-04	300.00	CROSS TIMBERS	7,588.50	8,944.78	1,356.28	
05-20-04	09-08-04	200.00	MEDIMMUNE INC	4,648.80	4,572.89	-75.91	
10-21-03	09-10-04	1,000.00	CONAGRA FOODS	23,772.00	26,667.37	2,895.37	
03-22-04	09-10-04	500.00	W P CAREY & CO	15,175.50	15,198.64	23.14	
03-10-04	09-10-04	0.30	BOOKHAM INC	6.78	1.62	-5.16	
05-20-04	09-13-04	500.00	AIRGAS INC	10,801.00	11,447.73	646.73	
09-17-02	09-20-04	200.00	COLGATE-PALMOLIVE	11,212.67	9,641.11		-1,571.56
09-10-03	09-20-04	100.00	COLGATE-PALMOLIVE	5,653.50	4,820.55		-832.95
05-30-00	09-21-04	100.00	E I DU PONT	5,002.50	4,261.50		-741.00
05-10-01	09-21-04	200.00	E I DU PONT	9,544.00	8,523.00		-1,021.00
04-14-04	09-21-04	200.00	E I DU PONT	9,003.00	8,523.00		
09-23-03	09-27-04	1,000.00	THERMO ELECTRON	23,492.00	26,558.37	-480.00	
03-10-04	09-28-04	60.00	BOOKHAM INC	1,355.68	364.65	-991.03	
03-22-04	09-28-04	100.00	BOOKHAM INC	2,142.00	607.75	-1,534.25	
03-22-04	09-28-04	140.00	BOOKHAM INC	0.00	850.85	850.85	
07-26-02	09-28-04	200.00	PLUM CRK TIMBER	5,440.80	6,822.83		1,382.03
12-05-02	10-04-04	500.00	ABIGAIL ADAMS NB	6,660.61	8,207.80		1,547.19
06-02-04	10-04-04	300.00	BP PRUDHOE BAY RYLTY TST	9,321.60	12,112.71	2,791.11	
06-22-04	10-03-04	600.00	APRIA HLTHCR GRP	17,687.71	16,163.62	-1,524.09	
03-22-04	10-06-04	100.00	BOOKHAM INC	0.00	590.75	590.75	
05-07-04	10-06-04	200.00	BOOKHAM INC	1,922.00	1,181.50	-740.50	
05-10-04	10-06-04	1,000.00	PRIVATE BUSINESS	2,381.40	1,667.95	-713.45	
06-08-04	10-12-04	500.00	BOEING CO	24,002.00	24,919.79	917.79	
07-08-03	10-12-04	500.00	BRISTOL-MYERS SQ	13,832.00	11,437.73		-2,394.27
07-15-04	10-13-04	500.00	TRANSOCEAN INC	15,106.00	17,117.59	2,011.59	
09-10-03	10-13-04	100.00	COLGATE-PALMOLIVE	5,653.50	4,304.39		-1,349.11
05-17-04	10-13-04	100.00	COLGATE-PALMOLIVE	5,662.50	4,304.40	-1,358.10	
10-23-03	10-13-04	200.00	CROSS TIMBERS	5,059.00	6,742.84	1,683.84	

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

R2514

From 04-01-04 Through 12-31-04

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
12-01-03	10-13-04	600.00	MESA RLTY TR	32,142.00	39,662.07	7,520.07	
12-01-03	10-15-04	500.00	XL CAPITAL LTD	38,212.00	33,336.18	-4,875.82	
06-02-04	10-18-04	600.00	BOOKHAM INC	6,782.00	2,963.92	-3,818.08	
05-17-04	10-19-04	100.00	COLGATE-PALMOLIVE	5,662.50	4,354.56	-1,307.94	
08-23-04	10-19-04	200.00	COLGATE-PALMOLIVE	10,731.00	8,709.13	-2,021.87	826.78
05-12-03	10-22-04	500.00	CISCO SYS INC	8,411.00	9,237.78		
02-12-04	10-22-04	300.00	FIRST DATA	11,640.75	11,806.72	165.97	
11-03-03	10-25-04	500.00	HCA INC	19,187.00	17,737.58	-1,449.42	
05-12-03	10-25-04	500.00	CISCO SYS INC	8,411.00	9,038.78		627.78
07-23-03	10-25-04	200.00	CISCO SYS INC	3,793.00	3,615.52	-177.48	
06-10-04	10-25-04	300.00	CISCO SYS INC	7,126.00	5,423.27	-1,702.73	
06-22-04	11-01-04	300.00	DRS TECH INC	8,970.40	10,825.74	1,855.34	
08-21-97	11-01-04	25,000.00	US TSY NTS	24,773.44	27,119.25		2,345.81
			6.125% Due 08-15-07				
06-10-03	11-02-04	200.00	BROADCOM CORP	5,239.00	5,373.07		134.07
01-27-04	11-02-04	300.00	BROADCOM CORP	12,431.11	8,059.61	-4,371.50	
10-24-03	11-05-04	300.00	IRON MTN INC	7,369.60	9,907.76		2,538.16
10-24-03	11-12-04	200.00	IRON MTN INC	4,913.07	6,672.84		1,759.77
10-24-03	11-18-04	500.00	IRON MTN INC	12,282.67	16,078.03		3,795.36
12-19-02	11-22-04	100.00	L3 COMM HLDGS	4,499.40	6,938.83		2,439.43
07-13-04	11-29-04	1,000.00	CLAIRES STORES	23,726.00	21,103.50	-2,622.50	
09-16-04	12-08-04	200.00	COOPER INDS LTD	11,736.00	13,142.18	1,406.18	
05-03-04	12-08-04	1,000.00	CORNING INC	11,342.00	11,095.97	-246.03	
05-20-04	12-09-04	500.00	AIRGAS INC	10,801.00	12,634.70	1,833.70	
06-02-04	12-10-04	500.00	AIRGAS INC	11,102.00	12,532.70	1,430.70	
06-07-04	12-10-04	1,000.00	CORNING INC	12,942.00	11,217.73	-1,724.27	
03-10-04	12-13-04	500.00	MEDTRONIC INC	25,387.00	24,397.42	-989.58	
04-19-04	12-16-04	500.00	INCO LIMITED	17,280.00	17,659.58	379.58	
TOTAL GAINS						62,594.50	116,205.84
TOTAL LOSSES						-99,373.84	-70,736.65
TOTAL REALIZED GAIN/LOSS				1,816,921.10	1,825,610.95	-36,779.34	45,469.19

Morse, Williams & Company  
 PORTFOLIO SUMMARY  
**THE STEPPING STONES FOUNDATION**

R2514

December 31, 2004

Security Type	Total Cost	Market Value	Pct. Assets	Cur. Yield	Est. Annual Income
Cash & Equiv. CASH EQUIV.	44,141.24	44,141.24	0.8	3.2	1,412.52
	44,141.24	44,141.24	0.8	3.2	1,412.52
<b>Fixed Income</b>					
GOVT BONDS	574,498.44	618,846.87	10.6	6.1	37,476.25
CORPORATE BONDS	1,145,282.75	1,224,495.65	21.0	6.4	77,961.25
FOREIGN BONDS	98,397.50	123,360.00	2.1	6.1	7,500.00
PREFERRED STOCK	86,085.25	87,850.00	1.5	7.4	6,470.00
Accrued Interest		31,190.25	0.5		
	1,904,263.94	2,085,742.77	35.8	6.3	129,407.50
<b>Equities</b>					
CONVERTIBLE BND	164,562.50	131,906.25	2.3	10.6	14,000.00
CONVERTIBLE PFD	98,444.00	151,950.00	2.6	5.4	8,250.00
COMMON STOCK					
Basic Materials	99,529.42	125,871.00	2.2	2.4	2,958.00
Capital Goods	255,873.05	325,046.00	5.6	1.4	4,658.00
Consumer Cyclical	295,165.15	347,046.00	6.0	1.0	3,640.00
Consumer Staples	392,588.07	438,452.00	7.5	0.7	3,090.80
Energy	327,716.41	412,302.00	7.1	3.1	12,668.00
Financial	258,326.59	350,363.17	6.0	2.8	9,812.00
Services	262,727.25	227,479.42	3.9	0.3	795.40
Technology	473,655.39	653,864.00	11.2	0.2	1,089.00
Transportation	71,747.00	106,884.00	1.8	0.2	176.00
Utilities	168,670.80	202,842.00	3.5	4.0	8,198.00
Diversified	25,223.00	32,828.00	0.6	1.8	576.00
Real Estate	66,119.70	85,132.00	1.5	4.3	3,640.00
COMMON STOCK	2,697,341.83	3,308,109.59	56.8	1.6	51,301.20
MUTUAL FUNDS	86,549.40	94,533.87	1.6	0.1	87.79
WARRANTS	0.00	0.00	0.0	0.0	0.00
Accrued Interest		2,955.56	0.1		
	3,046,897.73	3,689,455.27	63.4	2.0	73,638.99
<b>TOTAL PORTFOLIO</b>	<b>4,995,302.91</b>	<b>5,819,339.28</b>	<b>100.0</b>	<b>3.5</b>	<b>204,459.01</b>

STMT #15

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

December 31, 2004

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
	CASH ACCOUNT		44,141.24		44,141.24	0.8	1,412.52	3.2
	<b>GOVT BONDS</b>							
50,000.00	US TSY NTS	101.12	50,562.50	100.66	50,332.00	0.9	3,750.00	7.5
	7.500% Due 02-15-05							
100,000.00	US TSY NTS	100.56	100,562.50	106.02	106,023.00	1.8	7,000.00	6.6
	7.000% Due 07-15-06							
75,000.00	US TSY NTS	99.09	74,320.31	107.32	80,490.00	1.4	4,593.75	5.7
	6.125% Due 08-15-07							
100,000.00	FED FARM CR BK	100.00	100,000.00	100.34	100,343.75	1.7	6,120.00	6.1
	6.120% Due 02-14-12							
50,000.00	FED FARM CR BK	100.00	50,000.00	101.28	50,640.62	0.9	3,000.00	5.9
	6.000% Due 06-14-12							
50,000.00	US TSY BDS	98.73	49,365.63	127.79	63,896.50	1.1	3,750.00	5.9
	7.500% Due 11-15-16							
100,000.00	FED HOME LN MITG	99.50	99,500.00	98.87	98,875.00	1.7	5,200.00	5.3
	5.200% Due 03-05-19							
50,000.00	US TSY BDS	100.37	50,187.50	136.49	68,246.00	1.2	4,062.50	6.0
	8.125% Due 08-15-19							
	Accrued Interest				12,552.85	0.2		
			574,498.44		631,399.73	10.9	37,476.25	6.1
	<b>CORPORATE BONDS</b>							
100,000.00	CTI GRP HLDGS SR	98.37	98,366.00	102.26	102,258.00	1.8	5,910.00	5.8
	5.910% Due 11-23-05							
80,000.00	ARKLA INC	115.10	92,080.00	109.68	87,742.40	1.5	7,120.00	8.1
	8.900% Due 12-15-06							
100,000.00	GTE CALIF INC	99.75	99,750.00	107.95	107,952.00	1.9	7,650.00	7.1
	7.650% Due 03-15-07							
50,000.00	AMGEN INC	97.50	48,750.00	108.10	54,051.50	0.9	3,250.00	6.0
	6.500% Due 12-01-07							
100,000.00	BANKBOSTON NA	100.94	100,938.00	107.62	107,620.00	1.8	6,375.00	5.9
	6.375% Due 03-25-08							
100,000.00	AT&T CORP	96.25	96,250.00	104.37	104,375.00	1.8	6,000.00	5.7
	6.000% Due 03-15-09							
100,000.00	FORD MTR CR CO	103.65	103,655.00	107.87	107,867.00	1.9	7,375.00	6.8
	7.375% Due 10-28-09							
50,000.00	HOUSEHOLD FIN	100.00	50,000.00	99.36	49,681.00	0.9	2,250.00	4.5
	4.500% Due 09-15-10							
200,000.00	MOTOROLA INC	97.97	195,937.50	116.00	231,992.00	4.0	15,250.00	6.6
	7.625% Due 11-15-10							

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

December 31, 2004

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
125,000.00	BOEING CAP CORP 6.100% Due 03-01-11	103.44	129,306.25	109.08	136,345.00	2.3	7,625.00	5.6
50,000.00	CATERPILLAR FINL 5.000% Due 11-15-12	100.00	50,000.00	99.42	49,712.50	0.9	2,500.00	5.0
75,000.00	FORD MTR CO DEL 8.875% Due 01-15-22 Accrued Interest	107.00	80,250.00	113.20	84,899.25	1.5	6,656.25	7.8
			1,145,282.75		1,241,258.05	21.3	77,961.25	6.4
<b>FOREIGN BONDS</b>								
100,000.00	HYDRO-QUEBEC 7.500% Due 04-01-16 Accrued Interest	98.40	98,397.50	123.36	123,360.00	2.1	7,500.00	6.1
			98,397.50		1,875.00	0.0	7,500.00	6.1
					125,235.00	2.2		
<b>PREFERRED STOCK</b>								
5,000.00	PMA CAP CORP MONTHLY INC SR NT	9.48	47,411.25	10.07	50,350.00	0.9	4,250.00	8.4
1,500.00	TENN VALLEY AUTH SER B Accrued Interest	25.78	38,674.00	25.00	37,500.00	0.6	2,220.00	5.9
			86,085.25		87,850.00	1.5	6,470.00	7.4
<b>CONVERTIBLE BND</b>								
175,000.00	SPACEHAB INC 8.000% Due 10-15-07 Accrued Interest	94.04	164,562.50	75.37	131,906.25	2.3	14,000.00	10.6
			164,562.50		2,955.56	0.1	14,000.00	10.6
					134,861.81	2.3		
<b>CONVERTIBLE PFD</b>								
3,000.00	TXI CAP TR I TR PFD	32.81	98,444.00	50.65	151,950.00	2.6	8,250.00	5.4
<b>COMMON STOCK</b>								
Basic Materials								
500.00	COMMERCL METALS	34.19	17,095.00	50.56	25,280.00	0.4	200.00	0.8
500.00	DOW CHEM CO	43.04	21,520.72	49.51	24,755.00	0.4	670.00	2.7
500.00	POSCO SPONS ADR	38.03	19,014.50	44.53	22,265.00	0.4	628.00	2.8
500.00	ROHM & HAAS	40.15	20,077.20	44.23	22,115.00	0.4	500.00	2.3
1,600.00	RPM INTL INC	13.64	21,822.00	19.66	31,456.00	0.5	960.00	3.1
			99,529.42		125,871.00	2.2	2,958.00	2.4
Capital Goods								
1,000.00	APPLIED MATLS INC	19.13	19,134.40	17.10	17,100.00	0.3	0.00	0.0
500.00	APPLIED SIGNAL	21.48	10,740.50	35.25	17,625.00	0.3	250.00	1.4
700.00	CATERPILLAR INC	59.55	41,688.00	97.51	68,257.00	1.2	1,148.00	1.7

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

R2514

December 31, 2004

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
300.00	COOPER INDS LTD	60.57	18,171.44	67.89	20,367.00	0.3	420.00	2.1
500.00	DRS TECH INC	29.90	14,950.66	42.71	21,355.00	0.4	0.00	0.0
900.00	GENERAL ELECTRIC	38.50	34,653.00	36.50	32,850.00	0.6	792.00	2.4
200.00	INGERSOLL RAND	68.95	13,791.00	80.30	16,060.00	0.3	176.00	1.1
600.00	L3 COMM HLDGS	45.91	27,544.60	73.24	43,944.00	0.8	240.00	0.5
1,000.00	LOUISIANA PAC	27.08	27,082.00	26.74	26,740.00	0.5	400.00	1.5
600.00	MASCO CORP	32.29	19,374.00	36.53	21,918.00	0.4	432.00	2.0
1,000.00	RAYTHEON CO	28.74	28,743.45	38.83	38,830.00	0.7	800.00	2.1
			255,873.05		325,046.00	5.6	4,658.00	1.4
<b>Consumer Cyclical</b>								
500.00	COMCAST CL A	29.05	14,527.00	32.84	16,420.00	0.3	0.00	0.0
500.00	COSTCO WHSL	41.71	20,857.00	48.41	24,205.00	0.4	200.00	0.8
1,000.00	HOME DEPOT INC	37.91	37,914.00	42.74	42,740.00	0.7	340.00	0.8
600.00	LIZ CLAIBORNE	39.51	23,707.70	42.21	25,326.00	0.4	135.00	0.5
1,000.00	MCDONALDS CORP	28.97	28,974.00	32.06	32,060.00	0.6	550.00	1.7
500.00	RADIOSHACK	33.14	16,572.00	32.88	16,440.00	0.3	125.00	0.8
1,000.00	SYSCO CORP	27.07	27,070.70	38.17	38,170.00	0.7	600.00	1.6
500.00	TARGET CORP	44.77	22,387.00	51.93	25,965.00	0.4	160.00	0.6
1,000.00	TIFFANY & CO	30.59	30,585.75	31.97	31,970.00	0.5	240.00	0.8
1,000.00	V F CORP	39.12	39,124.00	55.38	55,380.00	1.0	1,080.00	2.0
1,000.00	WALGREEN CO	33.45	33,446.00	38.37	38,370.00	0.7	210.00	0.5
			295,165.15		347,046.00	6.0	3,640.00	1.0
<b>Consumer Staples</b>								
500.00	AMGEN INC	55.17	27,587.00	64.15	32,075.00	0.6	0.00	0.0
500.00	BIOGEN IDEC INC	62.73	31,363.92	66.61	33,305.00	0.6	0.00	0.0
500.00	BRISTOL-MYERS SQ	26.75	13,377.00	25.62	12,810.00	0.2	560.00	4.4
600.00	CELGENE CORP	31.39	18,835.27	26.53	15,918.00	0.3	0.00	0.0
1,000.00	GENZYME CORP	38.75	38,734.35	58.07	58,070.00	1.0	0.00	0.0
600.00	GILEAD SCIENCES	31.85	19,107.32	34.99	20,994.00	0.4	0.00	0.0
500.00	HCA INC	41.38	20,692.00	39.96	19,980.00	0.3	260.00	1.3
1,500.00	HUMANA INC	20.11	30,169.00	29.69	44,535.00	0.8	0.00	0.0
1,000.00	JOHNSON & JOHN	45.89	45,888.25	63.42	63,420.00	1.1	1,140.00	1.8
500.00	MEDCO HEALTH	39.22	19,612.00	41.60	20,800.00	0.4	0.00	0.0
1,000.00	PFIZER INC	39.08	39,084.00	26.89	26,890.00	0.5	760.00	2.8
300.00	QUEST DIAGNOS	84.87	25,462.00	95.55	28,665.00	0.5	180.00	0.6
600.00	ST JUDE MED	41.32	24,792.33	41.93	25,158.00	0.4	0.00	0.0
1,200.00	TEVA PHARM	31.57	37,883.63	29.86	35,832.00	0.6	190.80	0.5
			392,588.07		438,452.00	7.5	3,090.80	0.7
<b>Energy</b>								
500.00	APACHE CORP	44.13	22,066.00	50.57	25,285.00	0.4	160.00	0.6

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

December 31, 2004

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
55.86	BP PLC	55.86	55,864.75	58.40	58,400.00	1.0	1,662.00	2.8
10,000.00	CDN SUPERIOR ENG	2.01	20,136.16	1.60	16,000.00	0.3	0.00	0.0
1,000.00	CHEVRONTXACO	41.84	41,837.00	52.51	52,510.00	0.9	1,600.00	3.0
1,000.00	CROSS TIMBERS	26.12	26,124.50	39.88	39,880.00	0.7	2,990.00	7.5
1,200.00	EXXON MOBIL CORP	41.20	49,437.00	51.26	61,512.00	1.1	1,296.00	2.1
2,000.00	LACLEDE GRP INC	24.04	48,083.00	31.15	62,300.00	1.1	2,720.00	4.4
2,000.00	MARATHON OIL	24.53	49,062.00	37.61	75,220.00	1.3	2,240.00	3.0
500.00	TRANSOCEAN INC	30.21	15,106.00	42.39	21,195.00	0.4	0.00	0.0
			327,716.41		412,302.00	7.1	12,668.00	3.1
<b>Financial</b>								
1,500.00	ABIGAIL ADAMS NB	13.82	20,725.69	21.24	31,861.17	0.5	750.00	2.4
300.00	AETNA US HLTHCR	96.03	28,807.72	124.75	37,425.00	0.6	12.00	0.0
500.00	AMERICAN EXPRESS	47.75	23,877.00	56.37	28,185.00	0.5	240.00	0.9
500.00	BP PRUDHOE BAY RYLTY TST	31.07	15,536.00	48.30	24,150.00	0.4	2,607.00	10.8
500.00	CITIGROUP INC	47.79	23,896.00	48.18	24,090.00	0.4	800.00	3.3
700.00	HSBC HLDGS PLC	66.90	46,830.00	85.14	59,598.00	1.0	2,205.00	3.7
600.00	UNITEDHEALTH GRP	49.04	29,422.00	88.03	52,818.00	0.9	18.00	0.0
2,000.00	US BANCORP	21.08	42,158.18	31.32	62,640.00	1.1	1,920.00	3.1
700.00	WASHMUTUAL	38.68	27,074.00	42.28	29,596.00	0.5	1,260.00	4.3
			258,326.59		350,363.17	6.0	9,812.00	2.8
<b>Services</b>								
500.00	AMAZON INC	47.09	23,547.46	44.29	22,145.00	0.4	0.00	0.0
600.00	CINTAS CORP	33.20	19,923.00	43.86	26,316.00	0.5	174.00	0.7
42,289.00	ELOT INC DEL	1.90	80,500.00	0.78	32,985.42	0.6	0.00	0.0
500.00	FIRST DATA	38.80	19,401.25	42.54	21,270.00	0.4	40.00	0.2
400.00	INFOSYS TECH	61.50	24,600.00	69.31	27,724.00	0.5	68.40	0.2
500.00	IRON MTN INC	24.57	12,282.67	30.49	15,245.00	0.3	0.00	0.0
4,000.00	NIC INC	6.22	24,864.27	5.08	20,320.00	0.3	0.00	0.0
4,000.00	PRIVATE BUSINESS	2.38	9,525.60	2.44	9,760.00	0.2	0.00	0.0
600.00	REPUBLIC SVCS	30.88	18,530.00	33.54	20,124.00	0.3	288.00	1.4
300.00	WASTE MGMT INC	31.03	9,310.00	29.94	8,982.00	0.2	225.00	2.5
600.00	YAHOO INC	33.74	20,243.00	37.68	22,608.00	0.4	0.00	0.0
			262,727.25		227,479.42	3.9	795.40	0.3
<b>Technology</b>								
1,000.00	ANALOG DEVICES	31.35	31,346.40	36.92	36,920.00	0.6	240.00	0.7
2,000.00	AVAYA INC	14.99	29,986.00	17.20	34,400.00	0.6	0.00	0.0
500.00	AVID TECH INC	53.09	26,546.98	61.75	30,875.00	0.5	0.00	0.0
2,500.00	BOTTOMLINE TECH	7.52	18,806.20	14.49	36,225.00	0.6	0.00	0.0
4,000.00	BROCADE COMM	5.32	21,264.00	7.64	30,560.00	0.5	0.00	0.0
1,500.00	DELL INC	26.93	40,402.25	42.14	63,210.00	1.1	0.00	0.0

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

R2514

December 31, 2004

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
2,200.00	EMC CORP MASS	10.76	23,671.00	14.87	32,714.00	0.6	0.00	0.0
1,000.00	INTEL CORP	28.01	28,013.41	23.39	23,390.00	0.4	160.00	0.7
2,000.00	JUNIPER NETWORKS	20.04	40,071.00	27.19	54,380.00	0.9	0.00	0.0
5,000.00	LUCENT TECH	3.50	17,476.00	3.76	18,800.00	0.3	0.00	0.0
500.00	MICROSOFT CORP	27.98	13,992.00	26.71	13,355.00	0.2	160.00	1.2
1,000.00	NETWORK APPL	22.31	22,312.00	33.22	33,220.00	0.6	0.00	0.0
1,200.00	NEXTEL COMM	24.42	29,299.00	30.00	36,000.00	0.6	0.00	0.0
1,200.00	QUALCOMM INC	17.68	21,216.40	42.40	50,880.00	0.9	336.00	0.7
1,500.00	RF MICRODEVICES	5.98	8,972.00	6.84	10,260.00	0.2	0.00	0.0
1,000.00	RSA SEC INC	12.33	12,326.86	20.06	20,060.00	0.3	0.00	0.0
500.00	SAP SPONS ADR	39.91	19,957.00	44.21	22,105.00	0.4	93.00	0.4
1,000.00	STORAGE TECH CP	25.38	25,380.89	31.61	31,610.00	0.5	0.00	0.0
1,000.00	TEXAS INSTR	20.44	20,442.00	24.62	24,620.00	0.4	100.00	0.4
1,500.00	VERISIGN INC	14.78	22,174.00	33.52	50,280.00	0.9	0.00	0.0
			473,655.39		653,864.00	11.2	1,089.00	0.2
<b>Transportation</b>								
500.00	FEDEX CORP	74.97	37,487.00	98.49	49,245.00	0.8	140.00	0.3
300.00	JB HUNT TRANS	36.77	11,032.00	44.85	13,455.00	0.2	36.00	0.3
600.00	LANDSTAR SYS INC	38.71	23,228.00	73.64	44,184.00	0.8	0.00	0.0
			71,747.00		106,884.00	1.8	176.00	0.2
<b>Utilities</b>								
1,300.00	ALLIANT ENERGY	16.40	21,326.00	28.60	37,180.00	0.6	1,365.00	3.7
500.00	ALLTEL CORP	50.12	25,062.00	58.76	29,380.00	0.5	760.00	2.6
500.00	CON ED INC	38.43	19,216.87	43.75	21,875.00	0.4	1,130.00	5.2
500.00	NSTAR	47.60	23,801.00	54.28	27,140.00	0.5	1,160.00	4.3
1,500.00	SBC COMM	22.93	34,393.33	25.77	38,655.00	0.7	1,935.00	5.0
1,200.00	VERIZON COMM	37.39	44,871.60	40.51	48,612.00	0.8	1,848.00	3.8
			168,670.80		202,842.00	3.5	8,198.00	4.0
<b>Diversified</b>								
400.00	3M CO	63.06	25,223.00	82.07	32,828.00	0.6	576.00	1.8
<b>Real Estate</b>								
1,300.00	PLUM CRK TIMBER	27.51	35,757.20	38.44	49,972.00	0.9	1,872.00	3.7
1,000.00	W P CAREY & CO	30.36	30,362.50	35.16	35,160.00	0.6	1,768.00	5.0
			66,119.70		85,132.00	1.5	3,640.00	4.3
			2,697,341.83		3,308,109.59	56.8	51,301.20	1.6
<b>MUTUAL FUNDS</b>								
1,126.779	TOCQUEVILLE TR	32.46	36,579.40	33.07	37,262.58	0.6	14.65	0.0

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

R2514

December 31, 2004

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Annual Income	Cur. Yield
7,314.341	WALL STREET FUND	6.83	49,970.00	7.83	57,271.29	1.0	73.14	0.1
			86,549.40		94,533.87	1.6	87.79	0.1
	WARRANTS							
8,229	WTS ELOT INC	0.00	0.00	0.00	0.00	0.0	0.00	0.0
	<b>TOTAL PORTFOLIO</b>		<b>4,995,302.91</b>		<b>5,819,339.28</b>	<b>100.0</b>	<b>204,459.01</b>	<b>3.5</b>

# 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**

**2004**

Name  
**THE STEPPING STONES FOUNDATION**

Employer identification number  
**13-3031164**

**Note:** In most cases, the corporation is not required to file Form 2220 (see Part I below for exceptions) because the IRS will figure any penalty owed and bill the corporation. Even if Form 2220 is not required, the corporation may still use it to figure the penalty. In such a case, enter the amount from page 2, line 38 on the estimated tax penalty line of the corporation's income tax return, but **do not** attach Form 2220.

**Part I Reasons for Filing** - Check the boxes below that apply. If any boxes are checked, and line 6, below, is \$500 or more, the corporation must file Form 2220, even if it does not owe a penalty.

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

**Part II Figuring the Underpayment**

4 Total tax (see instructions)		<b>4</b>	1,890.
5a Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 4	<b>5a</b>		
b Look-back interest included on line 4 under section 460(b)(2) for completed long-term contracts or of section 167(g) for depreciation under the income forecast method	<b>5b</b>		
c Credit for Federal tax paid on fuels (see instructions)	<b>5c</b>		
d Total. Add lines 5a through 5c		<b>5d</b>	
6 Subtract line 5d from line 4. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty.		<b>6</b>	1,890.
7 Enter the tax shown on the corporation's 2003 income tax return. <b>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 6 on line 8.</b>		<b>7</b>	1,852.
8 Enter the smaller of line 6 or line 7. If the corporation is required to skip line 7, enter the amount from line 6.		<b>8</b>	1,852.

	(a)	(b)	(c)	(d)	(e)
9 <b>Installment due dates.</b> Enter in col (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 9th, and 12th mos of the corporation's tax year. <b>Exception.</b> If one of your installment due dates is Sept 15, 2004, see the instructions.	05/15/04	06/15/04	09/15/04	10/01/04	12/15/04
10 <b>Required installments.</b> If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, line 38. If the box on line 3 (but not 1 or 2) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 8 above in each column.	463.	463.	370.	93.	463.
11 Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15. <b>Complete lines 12 through 18 of one column before going to the next column.</b>	2,349.				
12 Enter amount, if any, from line 18 of the preceding column		1,886.	1,423.	1,053.	960.
13 Add lines 11 and 12		1,886.	1,423.	1,053.	960.
14 Add amounts on lines 16 and 17 of the preceding column					
15 Subtract line 14 from line 13. If zero or less, enter -0-	2,349.	1,886.	1,423.	1,053.	960.
16 If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-		0.	0.	0.	
17 <b>Underpayment.</b> If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18.					
18 <b>Overpayment.</b> If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next column.	1,886.	1,423.	1,053.	960.	

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

**Part III Figuring the Penalty**

	(a)	(b)	(c)	(d)	(e)
<b>19</b> 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)					
<b>20</b> Number of days from due date of installment on ln 9 to the date shown on line 19					
<b>21</b> Number of days on line 20 after 4/15/2004 and before 7/1/2004					
<b>22</b> Underpayment on line 17 x Number of days on line 21 x 5% 366	\$	\$	\$	\$	\$
<b>23</b> Number of days on line 20 after 6/30/2004 and before 10/1/2004					
<b>24</b> Underpayment on line 17 x Number of days on line 23 x 4% 366	\$	\$	\$	\$	\$
<b>25</b> Number of days on line 20 after 9/30/2004 and before 1/1/2005					
<b>26</b> Underpayment on line 17 x Number of days on line 25 x 5% 366	\$	\$	\$	\$	\$
<b>27</b> Number of days on line 20 after 12/31/2004 and before 4/1/2005					
<b>28</b> Underpayment on line 17 x Number of days on line 27 x 5% 365	\$	\$	\$	\$	\$
<b>29</b> Number of days on line 20 after 3/31/2005 and before 7/1/2005					
<b>30</b> Underpayment on line 17 x Number of days on line 29 x % 365	\$	\$	\$	\$	\$
<b>31</b> Number of days on line 20 after 6/30/2005 and before 10/1/2005					
<b>32</b> Underpayment on line 17 x Number of days on line 31 x % 365	\$	\$	\$	\$	\$
<b>33</b> Number of days on line 20 after 9/30/2005 and before 1/1/2006					
<b>34</b> Underpayment on line 17 x Number of days on line 33 x % 365	\$	\$	\$	\$	\$
<b>35</b> Number of days on line 20 after 12/31/2005 and before 2/16/2006					
<b>36</b> Underpayment on line 17 x Number of days on line 35 x % 365	\$	\$	\$	\$	\$
<b>37</b> Add lines 22, 24, 26, 28, 30, 32, 34, & 36	\$	\$	\$	\$	\$

**38 Penalty.** Add columns (a) through (e), of line 37. Enter the total here and on Form 1120, line 33, Form 1120-A, line 29, or the comparable line for other income tax returns **38** \$ 0.

\* For underpayments paid after March 31, 2005: For lines 30, 32, 34, and 36, 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](http://www.irs.gov). You can also call 1-800-829-1040 to get interest rate information.