



BILL & MELINDA GATES FOUNDATION

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

To the Trustees
Bill & Melinda Gates Foundation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bill & Melinda Gates Foundation, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bill & Melinda Gates Foundation as of December 31, 2020 and 2019, and changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, Bill & Melinda Gates Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which became effective in 2020 for resource providers. Our opinion is not modified with respect to this matter.

KPMG LLP

Seattle, Washington
April 26, 2021

BILL & MELINDA GATES FOUNDATION

Consolidated Statements of Financial Position

December 31, 2020 and 2019

(In thousands)

Assets	2020	2019
Cash	\$ 158,646	75,342
Prepaid expenses and other assets	112,308	68,473
Beneficial interest in the net assets of Bill & Melinda Gates Foundation Trust (the Trust) (notes 4 and 5)	49,943,873	49,765,872
Program-related investment assets, net (note 7)	1,093,271	551,878
Property and equipment, net (note 8)	<u>627,576</u>	<u>615,774</u>
Total assets	<u>\$ 51,935,674</u>	<u>51,077,339</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 30,568	35,242
Accrued and other liabilities	77,303	46,661
Grants payable, net (note 10)	6,123,262	7,565,528
Program-related investment liabilities (note 7)	<u>84,161</u>	<u>52,913</u>
Total liabilities	<u>6,315,294</u>	<u>7,700,344</u>
Net assets:		
Without donor restrictions	45,531,880	43,373,820
With donor purpose restrictions	<u>88,500</u>	<u>3,175</u>
Total net assets	<u>45,620,380</u>	<u>43,376,995</u>
Total liabilities and net assets	<u>\$ 51,935,674</u>	<u>51,077,339</u>

See accompanying notes to consolidated financial statements.

BILL & MELINDA GATES FOUNDATION

Consolidated Statements of Activities

Years ended December 31, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Change in net assets without donor restrictions:		
Revenues and gains:		
Contributions and other income	\$ 17,900	14,969
Programmatic investment income, net (note 3f)	314,043	69,466
Net assets released from restriction	<u>80,051</u>	<u>19,907</u>
Total revenues and gains	<u>411,994</u>	<u>104,342</u>
Expenses (note 9):		
Global programs	4,075,144	4,393,598
U.S. program	666,362	464,190
Other charitable programs	143,040	202,157
Programmatic support	<u>63,416</u>	<u>65,588</u>
Total program expenses	4,947,962	5,125,533
Management and general expenses	<u>239,136</u>	<u>226,076</u>
Total expenses	<u>5,187,098</u>	<u>5,351,609</u>
Change in net assets without donor restrictions, before beneficial interest	<u>(4,775,104)</u>	<u>(5,247,267)</u>
Impact of beneficial interest in the Trust:		
Contributions from the Trust (note 4)	6,755,163	5,851,675
Change in net assets of the Trust (note 5)	<u>178,001</u>	<u>2,972,923</u>
Total impact of beneficial interest	<u>6,933,164</u>	<u>8,824,598</u>
Change in net assets without donor restrictions	<u>2,158,060</u>	<u>3,577,331</u>
Change in net assets with donor purpose restrictions:		
Contributions	165,376	17,130
Net assets released from restriction	<u>(80,051)</u>	<u>(19,907)</u>
Change in net assets with donor purpose restrictions	<u>85,325</u>	<u>(2,777)</u>
Change in total net assets	2,243,385	3,574,554
Net assets, beginning of year	<u>43,376,995</u>	<u>39,802,441</u>
Net assets, end of year	<u>\$ 45,620,380</u>	<u>43,376,995</u>

See accompanying notes to consolidated financial statements.

BILL & MELINDA GATES FOUNDATION

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received:		
Contributions from the Trust	\$ 6,755,163	5,851,675
Contributions from donors, without restrictions	8,536	6,666
Contributions from donors, with restrictions	156,227	20,455
Other cash received	67,248	55,097
Cash paid:		
Grants	(5,362,313)	(4,686,654)
Direct charitable support	(541,821)	(423,328)
Compensation and benefits	(479,620)	(433,439)
Other expenses	(177,626)	(227,344)
Excise taxes	(1,111)	(485)
Net cash provided by operating activities	<u>424,683</u>	<u>162,643</u>
Cash flows from investing activities:		
Cash received:		
Proceeds from sale of program-related investments	103,131	18,002
Cash paid:		
Funding of program-related investments	(390,914)	(103,335)
Purchases of property and equipment	<u>(53,596)</u>	<u>(39,979)</u>
Net cash used in investing activities	<u>(341,379)</u>	<u>(125,312)</u>
Net increase in cash	83,304	37,331
Cash, beginning of year	<u>75,342</u>	<u>38,011</u>
Cash, end of year	\$ <u><u>158,646</u></u>	\$ <u><u>75,342</u></u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements
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(In thousands)

(1) Organization

Bill & Melinda Gates Foundation (the Foundation) is a tax-exempt private foundation that works to reduce inequity across the globe. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people – especially those with the fewest resources – have access to the opportunities they need to succeed in school and life.

(a) Strategic Priorities

(i) Global Programs

The Foundation works with grantees and partner organizations to address critical health and development priorities – from infectious disease to agricultural development and financial services – to benefit the world's poorest people. The Foundation invests in advances in research and development as well as innovative approaches to delivering interventions to solve some of the challenges that prevent people in the poorest countries from thriving.

(ii) U.S. Program

In the United States, the primary focus is on ensuring that all students – especially Black, Latino, and low-income students – have an opportunity to earn a degree or credential that prepares them for a successful career and life. The program seeks to increase access to better information and tools needed to tackle barriers to opportunity and to develop economic mobility strategies at the community, state and national levels, particularly in Washington State, where the Gates family has lived for generations and where the Foundation is based.

The Foundation is organized as a charitable trust, and operates in Seattle, Washington with regional offices in Washington, D.C.; Beijing, China; London, U.K.; Addis Ababa, Ethiopia; Abuja, Nigeria; Johannesburg, South Africa; New Delhi, India; and Berlin, Germany. The Foundation's Trustees are Bill and Melinda Gates and Warren Buffett.

The Foundation is funded by grants received from Bill & Melinda Gates Foundation Trust (the Trust) as explained in note 4, *Related Parties*. The primary role of the Trust is to manage the investment assets and fund the Foundation, as necessary, to achieve the Foundation's charitable goals.

IRIS Holdings, LLC (IRIS), a single-member limited liability company, was formed for the purpose of purchasing land for the Foundation's campus and constructing and owning the headquarters. As the Foundation is the single member of IRIS, its financial statements have been consolidated with the accompanying consolidated financial statements.

Gates Philanthropy Partners (GPP), a 501(c)(3) public charity, was formed for the purpose of providing donors with a cost-effective, efficient vehicle to co-fund with the Foundation in high impact global health, development, gender equality and U.S. programs. As the Foundation is the single member of GPP, its financial statements have been consolidated with the accompanying consolidated financial statements.

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(In thousands)

Bill & Melinda Gates Medical Research Institute (Gates MRI), a nonprofit organization co-located in the Boston area and Seattle, was formed for the purpose of researching and developing medical interventions for diseases and disorders that disproportionately impact the poor in low and middle-income countries. As the Foundation is the single member of Gates MRI, its financial statements have been consolidated with the accompanying consolidated financial statements.

Bill & Melinda Gates Agricultural Innovations (Gates Ag One), a nonprofit located in the St. Louis metropolitan area, was formed to accelerate the development of innovations supported by the Foundation's Agricultural Development team. It works with diverse partners to enable the advancement of resilient, yield-enhancing seeds and traits globally. As the Foundation is the single member of Gates Ag One, its financial statements have been consolidated with the accompanying consolidated financial statements.

(2) COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. To protect the health and well-being of employees modifications were made to travel policies and office closures were implemented while operations continued without interruption.

The extent to which the COVID-19 pandemic impacts the Foundation's operations going forward depends on numerous factors, including duration of the pandemic and governmental responses.

(3) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of its wholly owned subsidiaries IRIS, GPP, Gates MRI and Gates Ag One. All significant intercompany transactions and balances have been eliminated in consolidation.

The Foundation recognizes unconditional promises to give as revenue in the period received. Contributions with associated conditions are recorded as revenue when the conditions are met. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2020 and 2019, certain of the Foundation's net assets are classified as with donor-imposed restrictions. These amounts represent contributions that are limited in use in accordance with donor-imposed stipulations.

(b) Cash

Cash consists of U.S. and foreign currencies.

(c) Program-Related Investments (PRIs)

The Foundation makes PRIs in other organizations to achieve charitable purposes in alignment with the Foundation's strategies. These investments are primarily comprised of loans, equity investments and guarantees.

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Loan PRIs consist of loans outstanding bearing a below-market interest rate in either a senior or subordinated position. Loans are measured at fair value at inception to determine if a contribution element exists. Loans are recorded on a net basis to reflect a discount on loan receivable (if a contribution element exists) or a reasonable loss reserve. The loss reserve estimate is reviewed on an annual basis and adjusted if collectability risk has significantly changed based on the Foundation's understanding of the borrower's financial health and/or payment history.

Equity PRIs include both direct investments and investments in equity funds. Equity investments are recorded using one of the following methods of accounting: fair value, equity, or the measurement alternative, depending on the facts and circumstances of the agreement. To arrive at the recorded values under the fair value method, the Foundation utilizes readily determinable fair values, practical expedients or industry benchmarks to estimate fair value. The practical expedient used by the Foundation to value certain PRI equity funds is the Net Asset Value (NAV). In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Under the equity method, the Foundation obtains regular valuations as well as audited financial statements to determine the adjustment required to either revalue or record its share of gains and losses on its investments. The Foundation records unrealized gains or losses throughout the life of the investment and realized gains or losses upon liquidation or sale, which are included within programmatic income, net on the consolidated statements of activities.

The measurement alternative is used for certain equity investments without a readily determinable fair value that do not qualify for the equity method. Under this method, the Foundation recognizes the cost of its investment as an asset, adjusts for any changes resulting from observable price changes for identical or similar investments of the same issuer, and evaluates the investment annually for impairment.

Guarantees are recorded as a liability at the larger of the smallest amount within the Foundation's probable loss range or the fair value of the guarantee to the recipient. The fair value to the recipient is equivalent to what it would likely have had to pay if it entered into the transaction in the open market. Guarantees are measured at inception and amortized over the life of the arrangement using a systematic and rational method.

(d) Fair Value

The Foundation applies fair value accounting for all financial assets and liabilities that are recognized at fair value in the consolidated financial statements. In determining the fair value of PRIs, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date

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Level 2 Inputs: Valuations based on observable inputs (other than Level 1 prices) such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly

Level 3 Inputs: Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment

(e) Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, as follows:

Computer hardware and software	3 years
Vehicles	5 years
Furniture and fixtures	7 years
Building components	3–30 years
Building	40 years
Leasehold improvements	Over the life of the lease or the estimated useful life of the asset, whichever is shorter

The Foundation annually reviews the property and equipment records for impairment of value and records any adjustments necessary to reflect material impacts in value.

(f) Programmatic Investment Income, Net

Programmatic investment income, net is comprised of net realized and unrealized gains and losses on PRIs and interest income.

(g) Grant Expense

Grant expense is recognized in the period the grant is countersigned, provided the grant is not subject to future donor imposed conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. On December 31, 2020 and 2019, grants payable were discounted using the year-end risk-free rate for each year grants were made, which ranged from 0.2% to 4.7%.

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(h) Self-Insurance

The Foundation uses a combination of insurance and self-insurance mechanisms to provide for potential liabilities. Liabilities associated with the risks that are retained by the Foundation are not discounted and are estimated, in part, by considering historical claims experience and evaluations of outside experts, demographic factors, severity factors, and other actuarial assumptions. The estimated accrual for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. As of December 31, 2020 and 2019, the self-insurance liability, which is specific to employee healthcare benefits, was \$3,671 and \$2,994, respectively, and is included in accrued and other liabilities in the consolidated statements of financial position.

(i) Contributed Services

Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2020 and 2019, contributed services totaled \$5,375 and \$5,833, respectively, and are included in contributions and other income in the consolidated statements of activities.

(j) Contributions and Bequests from Unrelated Parties

The Foundation accepts contributions and bequests from unrelated parties. From time to time, the Foundation is notified that it has been named as the beneficiary in the estate of certain individuals under revocable agreements. Such amounts are recorded as contributions upon the passing of the donor and as the amounts become irrevocable.

(k) Presentation of Expenses on the Consolidated Statements of Activities

The costs of providing support to the various programs and other activities have been allocated between global programs, U.S. program, other charitable programs, and programmatic support. Other administrative costs related to operational support and activities have been allocated to management and general expenses.

(l) Tax-Exempt Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise taxes.

(m) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of PRI guarantees, discounting the allowance for loan PRIs, and the valuation of equity PRI investments.

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(In thousands)

(n) Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the presentation of the 2020 financial information.

(o) Recent Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. The ASU is effective for annual periods beginning after December 15, 2018 for resource recipients, and after December 15, 2019 for resource providers, with early adoption permissible.

As a resource recipient, the Foundation adopted a portion of this guidance effective January 1, 2019, with no impact to its consolidated financial statements. As a resource provider, the Foundation adopted the remaining guidance effective January 1, 2020 and applied changes on a modified prospective basis. Under this new guidance conditional grants are not recorded until grantees meet the terms of the conditions, resulting in a decrease in grants payable and grant expense in 2020. The Foundation had unfunded commitments related to conditional grant agreements of \$1,381,243 that were not included in grants payable as of December 31, 2020.

(4) Related Parties

The Foundation engages in charitable activities that are funded by a related party, the Trust. The Trust holds and manages investment assets, and makes grants to the Foundation as necessary, to carry out the Foundation's charitable goals. Neither entity controls the other; however, they have two of three trustees in common. In 2020 and 2019, the Trust made grants to the Foundation totaling \$6,755,163 and \$5,851,675, respectively.

(5) Beneficial Interest in Net Assets of Bill & Melinda Gates Foundation Trust

The legal documents that formed the Trust obligate it to fund the Foundation in whatever dollar amounts are necessary to accomplish the Foundation's charitable purposes. This means that the Foundation has the legal right to demand any amount, up to the full net assets of the Trust, to achieve the Foundation's charitable goals. Because of the Foundation's legal right to call upon the assets of the Trust, the consolidated financial statements for the Foundation reflect a \$49,943,873 and \$49,765,872 beneficial interest in the net assets of the Trust as of December 31, 2020 and 2019, respectively. That interest is adjusted annually to reflect the changes in the net assets of the Trust and amounts transferred to the Foundation during the reporting period.

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The total changes in beneficial interest in the net assets of the Trust for the years ended December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 49,765,872	46,792,949
Change in the net assets of the Trust before contributions to the Foundation	6,933,164	8,824,598
Trust contributions to the Foundation	<u>(6,755,163)</u>	<u>(5,851,675)</u>
Ending balance	<u>\$ 49,943,873</u>	<u>49,765,872</u>

(6) Liquidity

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the dates of the statements of financial position include:

	<u>2020</u>	<u>2019</u>
Cash	\$ 158,646	75,342
Beneficial interest in the net assets of the Trust	49,943,873	49,765,872
Other financial assets, net	<u>417,729</u>	<u>192,991</u>
Available financial assets	<u>\$ 50,520,248</u>	<u>50,034,205</u>

The Foundation structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations come due. Although the Foundation does not intend to liquidate assets other than for amounts needed for general expenditures budgeted during the year, these amounts could be made available if necessary. The Foundation's available financial assets exclude certain assets that the Foundation would not be able to liquidate within one year of the dates of the statements of financial position. As described in note 5, due to the Foundation's legal right to call upon the net assets of the Trust, the beneficial interest in the net assets of the Trust has been included above as an available financial asset. All net assets of the Trust are considered available to meet cash needs for general expenditures within one year of the dates of the statements of financial position.

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Notes to Consolidated Financial Statements
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(In thousands)

(7) Program-Related Investments

PRIs are strategic investments, beyond grants, made by the Foundation for the specific objective of furthering the Foundation's charitable purpose. The production of income is not the primary driver of a PRI. The Foundation entered into ten new PRI investments in 2020 and nine in 2019. The PRI portfolio includes loans to support the growth of key partners or institutions, equity investments to promote innovation and scale, and guarantees to address structural challenges within markets.

(a) Loan PRIs

The Foundation's loan portfolio includes both loans and convertible loans invested in not-for-profit and private sector entities. The majority of these loans are in support of its global strategies focusing on developing countries. They enable partner organizations to invest in increasing agricultural productivity, access to vaccines, and family planning commodities. The Foundation has also made loans in support of its U.S. strategies, providing low-cost capital support for charter school facilities. Interest payments are due on the outstanding loan amounts at interest rates generally ranging between 0% and 6%. Repayment of the outstanding loan amounts is scheduled through 2034.

The loans are summarized in the table below for the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Loan receivable, gross beginning of year	\$ 114,706	112,552
Additional loans	317,000	35,134
Principal repayments	(12,369)	(32,934)
Loan to equity conversions	(25,000)	—
Realized loss on loans	(399)	(46)
Gross subtotal, loans	<u>393,938</u>	<u>114,706</u>
Interest receivable	<u>475</u>	<u>1,050</u>
Loans and interest receivable, subtotal	394,413	115,756
Less discount and uncollectible allowance	<u>(27,111)</u>	<u>(12,914)</u>
Loan receivable, net end of year	<u>\$ 367,302</u>	<u>102,842</u>

(b) Equity PRIs

The Foundation's equity portfolio includes direct equity investments as well as investments in equity funds. The majority of these equity investments are in support of global strategies focusing on developing countries, which include investing in novel vaccine and therapeutic platforms, developing improved diagnostics, and strengthening agriculture and health delivery systems. The Foundation has

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also made equity investments in support of U.S. education. The total change in equity investments for the years ended December 31, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Equity investment amount, gross beginning of year	\$ 437,566	360,929
Additional investments	50,632	107,488
Loan to equity conversions	25,500	—
Return of capital	(41,266)	(22,642)
Realized loss	(5,534)	(8,209)
Equity investment amount, gross end of year	466,898	437,566
Cumulative valuation adjustments:		
Unrealized gain	259,071	11,470
Equity investment amount, net end of year	<u>\$ 725,969</u>	<u>449,036</u>

The Foundation has recorded certain of its equity investments at fair value, totaling \$437,561 and \$210,888 on December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Foundation has PRIs in equity funds which have been valued using NAV as a practical expedient with total fair values of \$71,260 and \$77,203, respectively. Unfunded commitments related to equity funds as of December 31, 2020 were \$96,957. The majority of equity PRIs at fair value include observable inputs considered to be Level 1 per the fair value hierarchy.

(c) Guarantee PRIs

The Foundation's guarantee portfolio includes financial, procurement backstop, and volume guarantees. The majority of these guarantees are in support of its global strategies, enabling accessibility and affordability of vaccines and health commodities in developing countries. Guarantee agreements and the associated commitments extend through 2023.

The Foundation's guarantee investments are summarized in the tables below for the years ended December 31, 2020 and 2019:

	<u>Total gross exposure December 31, 2019</u>	<u>New commitments in 2020</u>	<u>Commitments satisfied in 2020</u>	<u>Total gross exposure December 31, 2020</u>	<u>Sub- guarantee amounts</u>	<u>Net exposure December 31, 2020</u>	<u>Value of guarantee liability</u>
Guarantee investments:							
Financial and Backstop	\$ 20,805	150,000	(49,397)	121,408	—	121,408	10,821
Volume	457,110	371,850	(180,120)	648,840	(25,500)	623,340	73,340
Total guarantees	<u>\$ 477,915</u>	<u>521,850</u>	<u>(229,517)</u>	<u>770,248</u>	<u>(25,500)</u>	<u>744,748</u>	<u>84,161</u>

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	Total gross exposure December 31, 2018	New commitments in 2019	Commitments satisfied in 2019	Total gross exposure December 31, 2019	Sub- guarantee amounts	Net exposure December 31, 2019	Value of guarantee liability
Guarantee investments:							
Financial and Backstop	\$ 15,000	11,405	(5,600)	20,805	—	20,805	2,381
Volume	566,250	8,295	(117,435)	457,110	(36,125)	420,985	50,532
Total guarantees	<u>\$ 581,250</u>	<u>19,700</u>	<u>(123,035)</u>	<u>477,915</u>	<u>(36,125)</u>	<u>441,790</u>	<u>52,913</u>

(8) Property and Equipment

At December 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 93,945	93,945
Construction-in-progress and other	10,909	7,815
Campus buildings	597,893	592,343
Computer hardware and software	125,552	101,552
Furniture, fixtures and other	21,858	20,783
Leasehold improvements	61,281	45,944
	<u>911,438</u>	<u>862,382</u>
Less accumulated depreciation and amortization	<u>(283,862)</u>	<u>(246,608)</u>
Property and equipment, net	<u>\$ 627,576</u>	<u>615,774</u>

(9) Analysis of Expenses

The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2020 and 2019 are summarized in the tables below. The tables list all expenses on an accrual basis.

<u>December 31, 2020</u>	<u>Program expenses</u>				<u>Management and general</u>	<u>Total expense by natural classification</u>
	<u>Global programs</u>	<u>U.S. program</u>	<u>Other charitable programs</u>	<u>Programmatic support</u>		
Grants	\$ 3,294,035	546,840	84,430	—	—	3,925,305
Direct charitable contracts	455,767	73,565	30,221	—	—	559,553
Total	3,749,802	620,405	114,651	—	—	4,484,858
Compensation and benefits	291,328	43,730	23,385	39,993	83,524	481,960
Other support and administrative	34,014	2,227	5,004	23,423	155,612	220,280
Total	<u>\$ 4,075,144</u>	<u>666,362</u>	<u>143,040</u>	<u>63,416</u>	<u>239,136</u>	<u>5,187,098</u>

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(In thousands)

<u>December 31, 2019</u>	<u>Program expenses</u>					<u>Total expense by natural classification</u>
	<u>Global programs</u>	<u>U.S. program</u>	<u>Other charitable programs</u>	<u>Programmatic support</u>	<u>Management and general</u>	
Grants	\$ 3,703,135	370,349	148,667	—	—	4,222,151
Direct charitable contracts	359,199	48,885	21,838	—	—	429,922
Total	4,062,334	419,234	170,505	—	—	4,652,073
Compensation and benefits	256,940	39,997	23,254	40,576	76,156	436,923
Other support and administrative	74,324	4,959	8,398	25,012	149,920	262,613
Total	<u>\$ 4,393,598</u>	<u>464,190</u>	<u>202,157</u>	<u>65,588</u>	<u>226,076</u>	<u>5,351,609</u>

Grants and direct charitable contracts are charitable costs expended for the benefit of others. Other support and administrative expenses relate to activities that support the grant-making process as well as administrative operational costs. Certain employee benefit expenses are allocated across functional groups based on headcount.

(10) Grants Payable

On December 31, 2020 and 2019, grants payable totaled \$6,384,718 (discounted to \$6,123,262) and \$7,927,536 (discounted to \$7,565,528), respectively. Grants payable activity consisted of the following:

	<u>2020</u>	<u>2019</u>
Grants payable balance, beginning of year	\$ 7,927,536	8,351,689
Current year activity:		
New and supplemental grants	3,985,169	4,369,547
Payments	(5,362,313)	(4,686,654)
Grant amendments and contingencies	(165,674)	(107,046)
Grants payable balance, end of year	<u>\$ 6,384,718</u>	<u>7,927,536</u>

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As of December 31, 2020, based on the specific grant agreements, grants payable are expected to be paid in the following years:

2021	\$	2,832,530
2022		1,328,988
2023		646,032
2024		239,003
2025		108,220
Thereafter		1,229,945
		6,384,718
Less discount to reflect grant payable at present value		(261,456)
Grants payable, net	\$	6,123,262

(11) Retirement Plan

In 2020 and 2019, the Foundation offered three Retirement Plans for the benefit of its employees: a 403(b) plan, 401(a) plan, and a 457(b) plan. The 457(b) plan allows for additional executive deferrals subject to annual limitations.

The 403(b) retirement plan covers employees meeting certain qualifications. Under the terms of the plan, employees are allowed to contribute up to 100% of pretax annual compensation, as defined in the plan, and subject to annual limitations imposed by the Internal Revenue Code.

The 401(a) retirement plan covers employees meeting certain qualifications. Under the terms of the plan, the Foundation contributes 15% of employee-eligible plan compensation subject to annual limitations. Employees are immediately vested in employer contributions. Employer contributions to the 401(a) retirement plan relating to the years ended December 31, 2020 and 2019 totaled \$44,636 and \$39,951, respectively.

(12) Federal Excise Taxes

Through December 31, 2019, the Foundation was subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions were met. Legislation effective January 1, 2020 simplified the private foundation excise tax on investment income by replacing the two-tier system with a flat rate of 1.39%. Excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The Foundation provided for excise taxes at the 1.39% and 1% excise tax rates for the years ended December 31, 2020 and 2019, respectively. The current portion of excise tax expense was \$1,078 and \$412 for the years ended December 31, 2020 and 2019, respectively.

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(13) Commitments and Contingencies

(a) Lease Commitments

The Foundation is obligated under various operating leases for equipment and office facilities, which expire on various dates through 2029. Future minimum lease payments related to these leases as of December 31, 2020 are as follows:

2021	\$	9,982
2022		9,785
2023		9,528
2024		7,798
2025		7,548
Thereafter		<u>30,524</u>
Total lease commitments \$		<u><u>75,165</u></u>

Rent expense totaled \$11,248 for the year ended December 31, 2020 and \$9,426 for the year ended December 31, 2019.

(b) Legal Matters

In the ordinary course of business, the Foundation is subject to certain legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Foundation.

(14) Subsequent Events

The Foundation evaluated subsequent events from December 31, 2020 through April 26, 2021, the date on which the consolidated financial statements were available to be issued and determined that no additional disclosures are required.