



**BILL & MELINDA GATES FOUNDATION**

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 2800  
401 Union Street  
Seattle, WA 98101

## Independent Auditors' Report

To the Trustees  
Bill & Melinda Gates Foundation:

### *Opinion*

We have audited the consolidated financial statements of Bill & Melinda Gates Foundation and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Seattle, Washington  
May 18, 2022

**BILL & MELINDA GATES FOUNDATION**

## Consolidated Statements of Financial Position

December 31, 2021 and 2020

(In thousands)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash	\$ 145,421	158,646
Prepaid expenses and other assets	85,589	112,308
Beneficial interest in the net assets of Bill & Melinda Gates Foundation Trust (the Trust) (notes 4 and 5)	53,258,064	49,943,873
Program-related investment assets, net (note 7)	968,808	1,093,271
Property and equipment, net (note 8)	609,428	627,576
Total assets	\$ <u>55,067,310</u>	<u>51,935,674</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 33,577	30,568
Accrued and other liabilities	73,093	77,303
Grants payable, net (note 10)	4,722,059	6,123,262
Program-related investment liabilities (note 7)	17,537	84,161
Total liabilities	<u>4,846,266</u>	<u>6,315,294</u>
Net assets:		
Without donor restrictions	50,163,121	45,531,880
With donor purpose restrictions	57,923	88,500
Total net assets	<u>50,221,044</u>	<u>45,620,380</u>
Total liabilities and net assets	\$ <u>55,067,310</u>	<u>51,935,674</u>

See accompanying notes to consolidated financial statements.

**BILL & MELINDA GATES FOUNDATION**

Consolidated Statements of Activities

Years ended December 31, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Change in net assets without donor restrictions:		
Revenues and gains:		
Contributions and other income	\$ 116,678	17,900
Programmatic investment income, net (note 3f)	375,205	314,043
Net assets released from restriction	<u>53,902</u>	<u>80,051</u>
Total revenues and gains	<u>545,785</u>	<u>411,994</u>
Expenses (note 9):		
Global programs	4,260,909	4,075,144
U.S. program	639,758	666,362
Other charitable programs	114,606	143,040
Programmatic support	<u>70,427</u>	<u>63,416</u>
Total program expenses	5,085,700	4,947,962
Management and general expenses	<u>274,735</u>	<u>239,136</u>
Total expenses	<u>5,360,435</u>	<u>5,187,098</u>
Change in net assets without donor restrictions, before beneficial interest	<u>(4,814,650)</u>	<u>(4,775,104)</u>
Impact of beneficial interest in the Trust:		
Contributions from the Trust (note 4)	6,131,700	6,755,163
Change in net assets of the Trust (note 4 and 5)	<u>3,314,191</u>	<u>178,001</u>
Total impact of beneficial interest	<u>9,445,891</u>	<u>6,933,164</u>
Change in net assets without donor restrictions	<u>4,631,241</u>	<u>2,158,060</u>
Change in net assets with donor purpose restrictions:		
Contributions	23,325	165,376
Net assets released from restriction	<u>(53,902)</u>	<u>(80,051)</u>
Change in net assets with donor purpose restrictions	<u>(30,577)</u>	<u>85,325</u>
Change in total net assets	4,600,664	2,243,385
Net assets, beginning of year	<u>45,620,380</u>	<u>43,376,995</u>
Net assets, end of year	<u>\$ 50,221,044</u>	<u>45,620,380</u>

See accompanying notes to consolidated financial statements.

**BILL & MELINDA GATES FOUNDATION**

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received:		
Contributions from the Trust	\$ 6,131,700	6,755,163
Contributions from donors, without restrictions	109,496	8,536
Contributions from donors, with restrictions	27,708	156,227
Other cash received	88,400	67,248
Cash paid:		
Grants	(5,474,159)	(5,362,313)
Direct charitable support	(611,101)	(541,821)
Compensation and benefits	(525,182)	(479,620)
Other expenses	(201,231)	(177,626)
Excise taxes	(6,495)	(1,111)
Net cash (used in) provided by operating activities	<u>(460,864)</u>	<u>424,683</u>
Cash flows from investing activities:		
Cash received:		
Proceeds from sale and maturities of program-related investments	584,947	103,131
Cash paid:		
Funding of program-related investments	(107,404)	(390,914)
Purchases of property and equipment	(29,904)	(53,596)
Net cash provided by (used in) investing activities	<u>447,639</u>	<u>(341,379)</u>
Net (decrease) increase in cash	(13,225)	83,304
Cash, beginning of year	<u>158,646</u>	<u>75,342</u>
Cash, end of year	\$ <u>145,421</u>	<u>158,646</u>

See accompanying notes to consolidated financial statements.

## **BILL & MELINDA GATES FOUNDATION**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(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.

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.

Bill & Melinda Gates Medical Research Institute (Gates MRI), a nonprofit medical research 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 limited liability company 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.

##### *(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.

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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 Gates and Melinda French Gates. Warren Buffett stepped down from his Trustee position in 2021.

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.

### **(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, 2021 and 2020, 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 purpose restrictions.

#### **(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, 2021 and 2020, 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%.

**(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, 2021 and 2020, the self-insurance liability,

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which is specific to employee healthcare benefits, was \$4,060 and \$3,671, 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, 2021 and 2020, contributed services totaled \$5,490 and \$5,375, 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 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.

**(n) Reclassifications**

Certain reclassifications have been made to the grants payable and conditional grants commitment note disclosure in 2020 to conform to the presentation of the 2021 financial information.

**(o) Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842): To increase transparency and comparability among

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(In thousands)

organizations by recognizing lease assets and lease liabilities on the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for annual periods beginning after December 15, 2021, for not-for-profit entities, with early adoption permissible. Adoption of this standard in 2022 is not expected to have a material impact on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentations and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends the accounting guidance to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is effective for annual periods beginning after June 15, 2021, for not-for-profit entities, with early adoption permissible. Adoption of this standard in 2022 is not expected to have a material impact on the consolidated financial statements.

#### (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 share the same Trustees. In 2021 and 2020, the Trust made grants to the Foundation totaling \$6,131,700 and \$6,755,163, 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 \$53,258,064 and \$49,943,873 beneficial interest in the net assets of the Trust as of December 31, 2021 and 2020, 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.

The total changes in beneficial interest in the net assets of the Trust for the years ended December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 49,943,873	49,765,872
Change in the net assets of the Trust before contributions to the Foundation	9,445,891	6,933,164
Trust contributions to the Foundation	<u>(6,131,700)</u>	<u>(6,755,163)</u>
Ending balance	<u>\$ 53,258,064</u>	<u>49,943,873</u>

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**(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>2021</u>	<u>2020</u>
Cash	\$ 145,421	158,646
Beneficial interest in the net assets of the Trust	53,258,064	49,943,873
Other financial assets, net	<u>296,067</u>	<u>417,729</u>
Available financial assets	<u>\$ 53,699,552</u>	<u>50,520,248</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.

**(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 five new PRI investments in 2021 and ten in 2020. 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 and expand affordable access to safe vaccines and other essential health supplies. 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.

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The loans are summarized in the table below for the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Loan receivable, gross beginning of year	\$ 393,938	114,706
Additional loans	7,300	317,000
Principal repayments	(11,416)	(12,369)
Loan to equity conversions	—	(25,000)
Realized loss on loans	(264)	(399)
Gross subtotal, loans	<u>389,558</u>	<u>393,938</u>
Interest receivable	<u>581</u>	<u>475</u>
Loans and interest receivable, subtotal	390,139	394,413
Less discount and uncollectible allowance	<u>(18,604)</u>	<u>(27,111)</u>
Loan receivable, net end of year	<u>\$ 371,535</u>	<u>367,302</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 also made equity investments in support of U.S. education. The total change in equity investments for the years ended December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Equity investment amount, gross beginning of year	\$ 466,898	437,566
Additional investments	87,179	50,632
Loan to equity conversions	—	25,500
Return of capital	(90,685)	(41,266)
Realized loss	—	(5,534)
Equity investment amount, gross end of year	463,392	466,898
Cumulative valuation adjustments:		
Unrealized gain	<u>133,881</u>	<u>259,071</u>
Equity investment amount, net end of year	<u>\$ 597,273</u>	<u>725,969</u>

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The Foundation has recorded certain of its equity investments at fair value, totaling \$319,648 and \$437,561 on December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Foundation has PRIs in equity funds which have been valued using NAV as a practical expedient with total fair values of \$124,277 and \$71,260, respectively. Unfunded commitments related to equity funds as of December 31, 2021 were \$87,432. 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 2026.

The Foundation's guarantee investments are summarized in the tables below for the years ended December 31, 2021 and 2020:

	Total gross exposure December 31, 2020	New commitments in 2021	Commitments satisfied in 2021	Total gross exposure December 31, 2021	Sub- guarantee amounts	Net exposure December 31, 2021	Value of guarantee liability
Guarantee investments:							
Financial and Backstop	\$ 121,408	35,000	(56,408)	100,000	—	100,000	7,000
Volume	648,840	8,900	(623,340)	34,400	(12,750)	21,650	10,537
Total guarantees	<u>\$ 770,248</u>	<u>43,900</u>	<u>(679,748)</u>	<u>134,400</u>	<u>(12,750)</u>	<u>121,650</u>	<u>17,537</u>

	Total gross exposure December 31, 2019	New commitments in 2020	Commitments satisfied in 2020	Total gross exposure December 31, 2020	Sub- guarantee amounts	Net exposure December 31, 2020	Value of guarantee liability
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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**(8) Property and Equipment**

At December 31, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 93,945	93,945
Construction-in-progress and other	12,761	10,909
Campus buildings	597,692	597,893
Computer hardware and software	105,712	125,552
Furniture, fixtures and other	23,045	21,858
Leasehold improvements	64,967	61,281
	<u>898,122</u>	<u>911,438</u>
Less accumulated depreciation and amortization	<u>(288,694)</u>	<u>(283,862)</u>
Property and equipment, net	<u>\$ 609,428</u>	<u>627,576</u>

**(9) Analysis of Expenses**

The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2021 and 2020 are summarized in the tables below. The tables list all expenses on an accrual basis.

<u>December 31, 2021</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	\$ 3,419,514	506,818	48,103	—	—	3,974,435
Direct charitable contracts	492,859	86,498	31,943	—	—	611,300
Total	<u>3,912,373</u>	<u>593,316</u>	<u>80,046</u>	<u>—</u>	<u>—</u>	<u>4,585,735</u>
Compensation and benefits	319,895	44,934	29,341	44,009	86,759	524,938
Other support and administrative	28,641	1,508	5,219	26,418	187,976	249,762
Total	<u>\$ 4,260,909</u>	<u>639,758</u>	<u>114,606</u>	<u>70,427</u>	<u>274,735</u>	<u>5,360,435</u>



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<u>December 31, 2020</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	\$ 3,294,035	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>

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 and Conditional Grant Commitments**

On December 31, 2021 and 2020, grants payable totaled \$4,940,351 (discounted to \$4,722,059) and \$6,384,718 (discounted to \$6,123,262), respectively. Grants commitments subject to conditions not included in grants payable were \$3,390,683 and \$1,381,243, as of December 31, 2021 and 2020 respectively. Grants payable and obligation activity consisted of the following:

	<u>2021</u>	<u>2020</u>
Grants payable balance, beginning of year	\$ 6,384,718	7,927,536
Current year activity:		
New and supplemental grants	6,147,402	5,366,412
Change in commitments subject to conditions	(2,009,440)	(1,381,243)
Payments	(5,474,159)	(5,362,313)
Grant amendments and contingencies	(108,170)	(165,674)
Grants payable balance, end of year	4,940,351	6,384,718
Grant commitments subject to conditions	3,390,683	1,381,243
Grants obligations, end of year	<u>\$ 8,331,034</u>	<u>7,765,961</u>

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As of December 31, 2021, based on the specific grant agreements, grants payable are expected to be paid in the following years:

2022		\$	2,047,110
2023			1,086,079
2024			404,077
2025			139,470
2026			265,729
Thereafter			997,886
			4,940,351
Less discount to reflect grant payable at present value			(218,292)
Grants payable, net		\$	4,722,059

**(11) Retirement Plan**

In 2021 and 2020, 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, 2021 and 2020 totaled \$47,740 and \$44,636, respectively.

**(12) Federal Excise Taxes**

The Foundation is subject to federal excise taxes imposed on private foundations. 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% excise tax rate for the years ended December 31, 2021 and 2020. The current portion of excise tax expense was \$7,026 and \$1,078 for the years ended December 31, 2021 and 2020, 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, 2021 are as follows:

2022	\$	9,868
2023		9,630
2024		7,810
2025		7,548
2026		7,788
Thereafter		22,736
Total lease commitments	\$	65,380

Rent expense for the years ended December 31, 2021 and December 31, 2020 totaled \$11,212 and \$11,248, respectively.

**(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, 2021 through May 18, 2022, the date on which the consolidated financial statements were available to be issued and determined that no additional disclosures are required.