

## Guide to the Financial Statements and Tax Returns

The Bill & Melinda Gates Foundation (the foundation) and the Bill & Melinda Gates Foundation Trust (the trust) are tax-exempt private foundations. The trust holds and manages the donated investment assets from Bill Gates, Melinda French Gates, and Warren Buffett. The proceeds from the investments are transferred to the foundation. The foundation then distributes funds in the form of grants, direct charitable expenses, program related investments, and operational expenses. For more information about the two-entity structure please refer to [our website](#).

Audited financial statements and tax returns are prepared annually. These public documents provide information about the charitable activities and finances of the entities.

The audited financial statements of each entity are prepared in accordance with U.S. generally accepted accounting principles and an audit opinion is issued by our independent auditors.

The foundation and trust also complete Internal Revenue Service (IRS) Forms 990-PF annually. The form is used by the IRS to calculate a foundation's annual payout requirement, to monitor key activities and assess excise taxes.

### Payout

To qualify for certain tax exemptions, foundations must make charitable disbursements that are based on the size of their assets. The required amount is shown on Page 8, Part X, Line 7 of Form 990-PF.

The chart below shows the expenses that count towards a foundation's annual disbursement requirement and where these numbers are found on the financial statements and tax return:

Expenses	Audited Financial Statements	Tax Returns
Grants	Statements of Activities – spread across Global Programs, US Program, and Other Charitable Programs based on function. This can also be found in Note 9. These are reported on an accrual basis.	Page 1, Part 1, Line 25. The amount in column (a) is on an accrual basis of accounting and column (d) is on a cash basis.
Direct Charitable	Statements of Activities – spread across Global Programs, US Program, and Other Charitable Programs based on function. This can also be found in Note 9. These are reported on an accrual basis.	Page 7, Part VIII-A
Program and Administrative	Statements of Activities – spread across all expense categories based on function. This can also be found in Note 9. These are reported on an accrual basis.	Page 1, Part 1, Line 24 less the amounts reported on Page 7, Part VIII-A

Program Related Investments	Statements of Activities - spread across Global Programs, US Program, and Other Charitable Programs based on function. This can also be found in Note 7. These are reported on an accrual basis.	Page 7, Part VIII-B
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Capital Costs for Charitable-Use Assets	Statements of Cash Flows	Page 8, Part XI, Line 2
Total Charitable Disbursements	Statements of Activities – Expenses. These are reported on an accrual basis.	Page 8, Part XI, Line 4

The key differences between the numbers reported on the financial statements and the tax return are:

- All expenses reported on the financial statements are reported on an accrual basis. The difference between cash and accrual accounting lies in the timing of when expenses are recorded. Cash accounting recognizes expenses only when money changes hands, while accrual accounting recognizes expenses when they have been incurred. These accrued expense amounts do not represent actual cash payments during the year. Footnote 9 in the foundation’s financial statements lists all expenses on an accrual basis while the Statements of Cash Flows lists cash paid for expenses during the year. Expenses reported on the tax return are reported on an accrual basis in Part I, column (a) and on a cash basis in Part I, column (d).
- Grant expense embedded within Global Programs, US Program, and Other Charitable Programs on the Statements of Activities is reported on an accrual basis and consists of new grants signed and paid during the year or any grants that had commitments subject to conditions fulfilled. Accrual basis grant expense, for any given year, includes both newly signed grants paid within the year and the present value of expected future payments of grants that do not have commitments subject to conditions. The tax return uses only grants paid during the year in the calculation of total charitable disbursements.
- The tax return excludes contributed services from both income and expenses.
- Unrealized gains and losses are reported as an expense within the Statements of Activities (Global Programs, US Program, and Other Charitable Programs) in the financial statements. Only realized gains and losses are reported in Part I of the tax return. Unrealized gains and losses can be found in Part III of the tax return.
- The foundation’s financial statements include the accounts of its subsidiaries, among them Gates Philanthropy Partners, Bill & Melinda Gates Medical Research Institute, Bill & Melinda Gates Agricultural Innovations, LLC, and IRIS Holdings, LLC. Federal tax returns for the foundation, Gates Philanthropy Partners, and Bill & Melinda Gates Medical Research Institute are filed separately.

### Contributions

The foundation primarily receives contributions from the trust. Contributions to the trust are made by Bill Gates, Melinda French Gates, and Warren Buffett. Unsolicited contributions and bequests are often received from the general public. Contribution income is found on the Statements of Activities in the financial statements. The tax return discloses contributions on Page 1, Part I, Line 1. Schedule B of the tax return discloses the details of all contributions in excess of \$5,000.

## Net Assets

Total net assets of each entity are disclosed in the Statements of Financial Position in the audited financial statements and on Page 2, Part II, Line 30 of the tax return. The net assets of the foundation include its interest in the assets of the trust, as well as the liability for future grant payments.

## Taxes

Private foundations are exempt from income tax on most types of income but are required to pay an excise tax of 1.39% on net investment income. Tax expense is included within management and general expenses on the Statements of Activities in the financial statements and Page 1, Part I, Line 18 of the tax return. These amounts include federal excise and income tax, as well as various other taxes related to real estate holdings and investments.

## Gates Philanthropy Partners

Gates Philanthropy Partners (GPP) is a 501(c)(3) public charity affiliated with the foundation. Donors' gifts are used to grant funds in alignment with the foundation's mission. The foundation supports the general operations of GPP. GPP is included in the consolidated financial statements of the foundation, but files a separate tax return. (see <http://www.gatesphilanthropypartners.org/>)

## Bill & Melinda Gates Medical Research Institute

The Bill & Melinda Gates Medical Research Institute (Gates MRI) is a 501(c)(3) public charity medical research organization affiliated with the foundation. Gates MRI is included in the consolidated financial statements of the foundation, but files a separate tax return. (see <http://www.gatesmri.org>)

## Bill & Melinda Gates Agricultural Innovations, LLC

Bill & Melinda Gates Agricultural Innovations, LLC (Gates Ag One) is a wholly owned not-for-profit subsidiary of the foundation. Gates Ag One is included in the consolidated financial statements and tax return of the foundation. (see <http://www.gatesagone.org/>)

## IRIS Holdings, LLC

IRIS Holdings, LLC (IRIS) is a single-member limited liability company 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, it is included in the consolidated financial statements and tax return of the foundation.

## Grants Payable and Conditional Grant Commitments Explained

In 2020, there was a change in generally accepted accounting standards requiring grant making organizations to remove grant commitments subject to conditions from the grant payable figure on the statements of financial position. A condition is a requirement that recipients of grant funds must meet prior to receiving a payment. Grant commitments subject to conditions are disclosed in the financial statements. They are not presented on the statements of financial position. When conditions within the grant are met, the commitment is then presented within grants payable on the statements of financial position and the corresponding expense is recorded within the statements of activities. Grants payable and conditional grant commitments combined show the total future grant obligation as presented in Note 10 of the foundation's financial statements.